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[9:12:07 AM]

>> Mayor Adler: All right. We have a quorum present. So we're going to convene the city council meeting and policy workshop this Monday, March 2nd, 2015. We are in the Austin city council chambers, it is 9:12.

[Lapse in audio] Resource recovery. Again, panel, appreciate you being here, appreciate you being here on time. Appreciate you coming and talking to us about this topic. As we've said to everyone who participates, these are not entirely satisfying opportunities for folks that want to make sure that the council learns everything that it should learn about an area, because there's obviously not enough time to do that. So we have panelists and the opportunity for other voices to speak. This is more than anything else trying to acquaint the council with high-level thoughts or issues, so that we have background and also so that we have the opportunity to ask questions and talk amongst ourselves about these issues as we learn them. So when you talk, remember that -- try to pick , you know, the two or three high issues that you want to leave the council with, rather than trying to cover everything. Experience has shown us what we've had so far, that probably works best, folks are best able then to walk away remembering that about an important issue. We're going to go ahead and start. We have -- we have two members of staff here to -- to talk to us. Bob dart and Natalie Betz to talk to us and frame the issue for us. These initial combined opening runs about 10 minutes.

[9:14:11 AM]

So if you want to go ahead and start us off.

>> Yes, my name is bob gettert, director of Austin resource recovery, welcome, I recognize that this is intended to be a discussion and so I will be as quickly and as brief as possible with my presentation. It's intended to be an overview of the department and our zero waste goals. Some of our core services of our department, we are a city department of 400 employees and we are most known for our curb side collection services. We collect trash weekly, recycling every other week, yard trimmings weakly, twice a year bulky items and twice a year large brush. We also staff a household hazardous waste drop-off down south with plans to build a north one. We street sweep and boulevard sweep every month. The boulevards and monthly on the streets around the city. We do litter pick up, primarily in the downtown area every day and alley clean up and we we provide dead animal collection. Of note, our staff visits every street in the city every week. Some secondary services that we provide, include storm debris cleanup, mulching, downtown trash container collection, city landfill closure, cart delivery for our customers and repair, appliance and electronics dropoff at our south facility, special events diversion services, community cleanup and illegal dump cleanup services. A wide variety of services. It is of note

as we dive into a zero waste discussion, that 25% of the waste stream generated in the city is collected by the city, 75% by partners in the private trade, it's of note that city council -- city council when they adopted the zero waste goals encumbers all of the waste stream, the entire waste stream of the city, whether it is serviced by the city or not.

[9:16:12 AM]

So we have a fairly large control of that 25% through our city services. But we are -- we work with the private sector through a circle of influence. Steven covey's concept of circle of influence on that 75%. That's primarily affected by city council's actions on ordinances. The history of zero waste in Austin is in 2015 urban environmental accords was signed by mayor Wynn and by council resolution. In 2009, there was a strategic plan that was developed and passed through city council and developed through a stakeholder process, many of those stakeholders are in this room today that were involved in that strategic plan. And in 2011, we brought forward a master plan that gave a roadmap on how to reach zero waste, more specific activities, programs, ordinances that were needed to reach zero waste, that plan is right here and before you as well, too, that was adopted in December of 2011 by city council. What is zero waste? Zero waste is the goal, there are two major components of zero waste, one at the [indiscernible] Level that we're not at, that is designing the projects and packaging to be recyclable and compostable. The other side at the fence is at the collection end that we can reserve and recovery all resources and not burn or bury them. That is our goal is to avoid land filling and collect these materials into a second life span. Part of our master plan and part of the development through our stakeholder review is to set milestones. Set some goals on how to reach 90% plus on diversion. And so in 2010, as we were beginning these discussions, it was assessed that we were at a 35% diversion level. Currently at 40% diversion level.

[9:18:13 AM]

50% diversion level for 2015 which is challenging for us to reach, then 75, 85, 90 and 95% goals in the future. Our programming is designed to reach these goals and we are targeting the -- the 2020, 75% goal at this time. Part of zero waste is looking at the solid waste stream in a different way. It's a materials management viewpoint rather than a solid waste or waste management viewpoint. We changed the name of our department from solid waste services to Austin resource recovery because of this materials management philosophy. That we're in the business of recovering resources rather than in the business of trying to landfill it. So the hierarchy is reduce waste, reuse waste, recycle, compost, recover and then dispose. You will notice a red line and that red line above it is diversion, below it is disposal, recycling is above it, landfilling is below that line. Everything above that line is reflective in our diversion rate. You can also look at this chart from a food waste prevention perspective, preventing food waste, capturing food waste for people's consumption, animal consumption and then composting and then disposal in the same philosophy of material management. We -- we based our 90% goal on this composition study performed by capcog a number of years ago. We are engaged in a new composition study that is essentially validate -- revalidating these Numbers. 50% of the waste stream that goes to the landfill is recyclable. 40% is compostable, 10% belong in the landfill. Or should be redesigned so that it could be recyclable. It is under today's technology and today's collection programs we can recycle 90% of what's going to the landfill.

[9:20:13 AM]

The issue is collection and the conviction to get new markets for that material. There we go. Just quick

charts to show you our progress. Residential recycling, this is under our circle of control, single family up to four-plexes. Our actual tonnage, 2015 tonnage and then onward, upward. The intent in showing you these charts is that as we try to achieve a 90% diversion, we have tonnages attached to each of these activities. This is the diversion on organics. Our projected tonnage for diversion to reach 2020 targets we desire to add food waste to our collection program. And that's -- that will be discussed later in today's discussion. Household hazardous wastes. I do want to note that we have a door to door collection that has been piloted, minor use, for seniors that -- and those that cannot travel to our south facility, and we also have a -- have a facility --

[lapse in audio] Charts is collection at our north facility. We hope to have that facility up and running by 2017. Recycling economic development is a leg of our -- of our zero waste plan, a very significant leg of it. We need to collect the material, we have processing contracts with two private vendors to process the recyclables. But then that material needs a market. Numerous markets. And that material needs to reach an end market before it can count as part of our diversion. We need to increase the supply of materials and that can create job opportunities. We are forming in concept and in development an Austin remanufacturing hub at the closed landfill on fm 812 and the concept there is to create local markets for these recyclables where the material doesn't have to be shipped to China.

[9:22:17 AM]

They can be shipped and stayed in Austin, creating jobs to remanufacture in the new products. A quick note. I was talking to a paper mill in -- in Oklahoma City just recently. And he's sourcing paper from Canada for his -- for his paper products that he produces. And I asked him why Canada, and he says the U.S. Curb side programs are not generating enough material. He has to source the material from outside the country. We have paper mills that we can supply and glass mills and plastic mills and so forth, but our supply network is weak and we need to collect -- [lapse in audio] -- More [lapse in audio] For every 10,000-tons of solid waste that is created, if you accepted it to a landfill it -- sends it to a landfill it creates one job, to recycling programs it creates 10 jobs. It can also create 25 jobs in the recycling-based manufacturing world and up to 295 jobs in the materials reuse. So there is a job creation component as we try to recovery these materials. Part of rethinking our waste stream is reducing our waste stream and reusing our waste stream before we even collect it for recyclables. That does reduce collection costs. So we -- in our master plan, we plan on developing in the next few years a creative teacher reuse center, reuse Austin dropoff centers in the four quadrants of the city and we initiated last year an Austin materials marketplace, that's a reuse of industrial waste from our businesses throughout the city. And that's contracted out and administered by the U.S. Business council. Commercial recycling, outside of the control of the city and -- and serviced by our private haulers, you can see our targets growing on commercial recycling and construction waste recycling. And before council later this year, we will bring a construction and demolition recycling ordinance.

[9:24:21 AM]

Also in the commercial world, organics collection and the desire to collect food waste from restaurants and food processors through our universal recycling ordinance that was adopted last year. And you can see the growth in tonnage there.

[Buzzer sounding]. This is my last slide for you to consider. And that is the adopted policies of city council to date that affect our zero waste, pay as you throw trash cart rate structure, which you will see in a couple of months when we present our budget each year, the single family blue cart recycling, every single family household has the blue carts -- [lapse in audio] -- About 75% [lapse in audio] Desire and 55,000-tons, so we need more effective use of that blue cart and the universal recycling ordinance,

which phases in over a number of years large businesses phase in, in the first few years, smaller businesses in the later years by 2019, every single building in the city would be required to provide recycling services to its tenants. By that concept. By that universal recycling ordinance. They schedule policies that will be coming before city council this year. The universal recycling rules are going through a stakeholder review for revisions and that is at a commission committee level at the moment. And that will be moving forward to city council by October. Organics collection rules are also at the committee level at the commission. And will be moving forward to city council for consideration in October. And the construction and demolition recycling had one stop at city council this past December in adopting the intent policy towards construction and demolition is now going through planning and development through a land development code review to require new developments and new construction to recycle construction waste. And those rules will be presented to city council in October.

[9:26:26 AM]

So that concludes my powerpoint, my presentation, I'm certainly available to answer any questions and I do know that you have a good schedule of visitors here to speak to you as well.

>> Quick comment. Thank you, bob, for that, are but I'm going to repeat the complaint I often bring up here. What I see in presentations like this benefit, benefit, benefit, benefit, no cost.

[Indiscernible] [Lapse in audio] Affordability of the city council. Again -- of the city of Austin, there's got to be cost benefit here, the cost benefit ratio. I don't think anybody on this council wants to fill up landfills, nobody wants that. Nobody wants that. We understand the benefits of recycling, reuse. When you leave out the cost and how this contributes to unaffordability, it misleads people. Okay. So please, let's get the -- the cost of these programs back into these descriptions. Okay?

>> Yeah, a quick response. In two months, I'll be before council on our budget proposals and I do present every year a cost benefit ratio. I do believe in what you are speaking to of cost benefit analysis. There are benefits, there are costs to each program. I will be presenting that to council in the coming months.

>> Zimmerman: I'm dubious because it was not here. It should have been here.

>> In 10 minutes that's hard, but I will -- I will --

>> Zimmerman: But it is a priority issue. You're right, we only have five or 10 minutes. What are the priorities? Cost is not a priority consideration. That is my point.

>> It is.

>> Zimmerman: If it were, it would have been in the presentation. If it were a priority, it would have been in the presentation.

>> Mr. Mayor?

>> Mayor Adler: Yes.

>> I just wanted to clarify the reason for the panel is simply to give us the overview of the services and the mission of the departments, I think and to understand the -- the depth of the programs that we have in place and that -- that I'm sure that the budget considerations will be fully explored and dug into during those deliberations as well.

[9:28:32 AM]

Is that right?

>> Mayor Adler: It would also be good, if the panel while you are speaking, could also speak to the cost benefit analysis of the work that's happening. Thank you for being here. You will have an opportunity, we would like you to be able to comment on the presentations that we hear from the other panelists as we go through as everyone on the panel can and is encouraged to do that. If we're ready, we'll get into,

I'm sorry, Ms. Gallo?

>> Gallo: I just wanted to make one comment. Thank you for being here. As we've abandoning neighborhood -- attending neighborhood association meetings, there seems to be a lot of really positive response on the composting organics program. Particularly the neighborhood that's located north of the spicewood and 183 and had some questions about, you know, the longevity of it, how it -- [lapse in audio] -- Going to continue. So I -- [lapse in audio] That it will continue. The second is we're seeing neighborhood associations become partners in the hazardous waste pickup and so if you have ideas of how we can help promote that, that certainly seems to be kind of a neighborhood partnership that works very well with that. So -- we look forward to -- to getting some really good advice and suggestions from you on how we can help promote those two programs.

>> I do have two quick answers on that. On the compost, we have a pilot of 14,000 households in 10 parts of the city and we are studying that and the effects of that, the cost per unit we're studying. And we are working towards a proposal for a full city rollout for that. That will be presented to council later this year. That is in our commission stakeholder meetings at the moment. We hear very positive results from the citizens in the pilot. And we also have some learned lessons on container style types of trucks and so forth. On the hhw, we --

>> Mayor Adler: What's hhw?

>> Sorry. Household hazardous waste. And household hazardous waste, it's collected in one side of the city.

[9:30:33 AM]

We recognize from the very beginning in developing the master plan that's not as convenient as the public wants. We do a citizen survey very year, we score very, very high on our services except for household hazardous waste, we are exploring how we can provide a better service network, including getting into the districts more deeply in collection.

>> Thank you.

>> Mayor Adler: Ms. Tovo?

>> Tovo: Mr. Gedhert thank you very much for your presentation and the work that you do. I've been amazed out in the community at the number of people who are watching these policy work sessions. So since you're here, the last time you did a presentation, you talked about what the top -- what the opportunity was, I think you mentioned, that many people don't have container -- recycling containers in other areas of their house. So the city is missing out on some opportunities to recycle paper say from toilet paper rolls. I guess if you could if one or two minutes tell us some of the top, reiterate that point, what some of the missed opportunities are that people can make adjustments in their -- in their own recycling and then what is the top -- I have forgotten what you said the top -- some of the top items are that are being -- put in the recycling bin that are not recyclable.

>> The -- the challenge that we have on the blue bin cart program is that only 75% of the residents are using it.

[Lapse in audio]. Using the cart. It's capturing of the recyclables in the household are on the blue cart and a large portion ending up in the trash. And our preliminary study on our waste flow, we have studied the trash going to the landfill and I have preliminary draft report that -- that 44% of what's going to the landfill is recyclable.

[9:32:37 AM]

44%. And 46% of what's going to the landfill is organics, material that can be composed. So if we were more effective in that blue cart program, we would have a lot more tonnage in it. When I spoke at Earth

day last year, as well as other speaking engagements last year, is that most people are looking at the kitchen for the source of the material and they are missing the material that's in the living room or the den or the library or the bathroom. The -- the shampoo bottles that can be recycled, the -- the paper empty paper rolls that can be recycled, newspaper, junk mail, all kinds of junk mail is recyclable. There's a tremendous amount of material that's ending up in the landfill that should go in the blue cart.

>> Mayor Adler: Are there other cities that are doing better than we're doing? Are there other cities that are achieving better than the 45% --

>> Yes.

>> Mayor Adler: And what are they doing that we're not doing perhaps that is getting them there?

>> Yeah. The -- there are cities that are higher in diversion rate. When you look at the top 20 cities, we're -- we're top flier. We're in the top five of the top 120 cities in our diversion rate. So we can pat ourselves on the back for that challenge of a large city pursuing it. But there are many cities that are at 25 -- at 75% diversion as we struggle to get past 50%. And the 75% diversion level is achievable as long as you are tackling the food waste collection. Food waste is about 12 to 14% of the waste flow that goes -- that is part of the overall picture. We have 46% of our trash stream that's organics and about -- about a third of that is food waste.

>> Mayor Adler: What are they doing, the really, really top fliers, what are they doing that we're not doing, if anything?

>> A third point of collection at the curb. We have a cart for trash, we have a cart for recycling, and we have bagged weekly yard trimmings.

[9:34:42 AM]

The pilot that we have on organics is a third green cart where you can put your yard trimmings, commingled with your food waste. That's what the cities that are high fliers are doing, is adding that third cart. That third cart has a cost to it. There is a cost benefit analysis that we're working on. And we're working on a transition towards that. Part of the discussion and you'll hear from some of our speakers here today, that I may be moving too slow. But part of -- part of the -- part of the progress towards food waste collection is mediating that cost impact and minimizing it on the utility bill and I'm proposed to our commission last month a five-year rollout. Many of the cities have done this in a two-year rollout pattern and so my five-year rollout is to mitigate some of the cost impacts.

>> Mayor Adler: That the compost program that's being piloted now?

>> Yes, yes. We have 14,000 households on the pilot and we deliver that material through a contractor for composting and we receive feedback on the contamination.

>> Mayor Adler: Okay. Ms. Houston?

>> Houston: Thank you so much for your information. I'm one of the fortunate ones to be in the 14,000 in the -- [lapse in audio] -- composting [lapse in audio] I'm just one person, so if you can down size that,, I would enjoy doing that.

>> Absolutely.

>> Houston: But the other thing that I hear in the community is the fact that the animal services are not available on Saturday when some dogs and cats are killed and we need to move them off the streets. Is there any way we can rotate people so there is some kind of way to help out with those calls when they come in, rather than waiting until Monday?

>> Yes, we've heard those complaints. You are accurate there. For the fiscal year '16 budget, we are proposing the six-day service rather than a five-day service.

[9:36:46 AM]

>> Houston: Thank you, I would appreciate that. What I do with my toilet paper rolls is take them to the tinkery because the kids can use them there.

>> Thank you, that's reuse.

>> I have one issue about the composting, I'm a long-time composter and have had really good success with that in my back yard, with leaf mulch and turning that into soil for my raised bed vegetable gardens, works really well. So the composting effort that you are looking at, maybe some of the other panels -- panel members will speak to this. Can you talk a little bit about where those composting bins will be located, where they turn into soil and then we can use that, it is a really high grade soil that we get out of the composting, is that going to be dotted around the community or just in one place or --

>> It's a good question. It's a complicated answer. I'll give you the very brief answer there. That is we're exploring through our commission and our stakeholder discussions multiple -- [lapse in audio] -- Multiple collection [lapse in audio] Contracted out to a private commercial contractor and we'll bid that out occasionally. And that -- that material goes to -- to a large composting piles. What we want to accommodate in the composting and organics rules is back yard composting and encouraging that because that reduces the cost of the they for collection and we also -- the cost for the city for collection and also we want to support entrepreneurs for city gardens. Generating neighborhood material, staying within the neighborhood to a community garden. And we are exploring rules and methods to be able to encourage that activity. The less transportation the lower the costs. So we are looking at keeping that material in the neighborhoods as much as possible.

>> That's great. I would like that. And maybe there's a way to partner with the school districts as well for the -- for the back yard habitats and the school yard habitats that are around town.

[9:38:52 AM]

>> That's an excellent idea, I'll pass that along.

>> Great, thanks.

>> Mayor Adler: Okay. Thank you, please stay and stay engaged in the rest of the conversation.

>> I would like to -- note to the mayor that Natalie Betz is available if there's any questions on our recycling economic development office as well.

>> Mayor Adler: Okay. Are you ready? I do have questions but they might be answered by the panel so we will come back if we need to. Andrew Dobbs, talk to us about how we get to zero waste, probably be good if you could touch on the cost benefit analysis as you discuss that as well.

>> [Indiscernible].

[No microphone]

>> Mayor Adler: Can you pull that closer or turn it on.

>> Ah-ha, wow, there we go. All right. Good morning!

>> Mayor Adler: Good morning.

>> I'm Andrew Dobbs with Texas campaign for the environment, Austin zero waste alliance. Met with all of -- all of your offices at some point. Thank you so much. I have a lot of answers to how do we get to zero waste in a very limited amount of time. So let's get going. Very similar chart to what bob did. My Numbers a little bit different because I'm going from E.P.A. Numbers from a few years ago, he's going with more local Numbers. The point is the same, the vast majority of what we have can be recycled or composted today with technologies we know of today that exist in central Texas today. Oh, and then this is what's remaining up there, reusable, can be repaired, producers responsibility where the manufacturers take that back. That is the solution for a lot of that, [lapse in audio] -- Should be done at the state and federal level. Let's talk about recycling. I'm going to move through this, because bob covered a lot of this, our existing programs, residential recycling, obviously pay as you throw.

[9:40:54 AM]

Pay more if you trash more. We do that by cart size, we have other ways of doing this that might help ratepayers. Ask me about that during questions if you would like. Universal recycling ordinance helping multi-family. Recycling dropoff, that's a picture of ecology action which has a contract with the city to provide those services. Our household hazardous waste as mentioned are needed programs to get us to greater collection. We need to fix our universal recycling ordinance and we need to educate the public better. I'm going to cover those momentarily. A program where you take -- people can take a class from a city contractor, they get a rebate off of a home composting system and then hopefully they will switch to a smaller trash can and save money that -- smaller trash can and save money that way, also. I

[indiscernible] Next year universal recycling ordinance will cover food

[indiscernible] Businesses, preconsumer cuttings from the kitchen, not -- [lapse in audio] Consumer scrapings from the plate.

[Lapse in audio] Online. Needed programs [lapse in audio] Should cover organics for multi-family and commercial businesses, not just food permitted businesses. Something that wasn't represented in my pie chart are sources of waste, construction demolition. We have a green building program today which is --

[lapse in audio] -- Which is, you know, a little bit more than materials management ordinance in the past later this year. Also need to build markets on that, which is a whole other huge conversation. And then our institutional waste, we have an interlocal agreement with Travis county that is very weak. It needs to be stronger, then we could use that with aid, the state, various other institutions. Let me dive into a few of these things real quick.

[9:42:55 AM]

Universal recycling ordinance, two slides from a presentation made by resource recovery staff to zero waste advisory commission last April. You will notice that two-thirds of all covered businesses almost were non-compliant with the universal recycling ordinance in one way or another. That is problematic. Kathie to my left here is going to talk a little bit more about that in detail. The basic point is that it's been very difficult to enforce and because it's difficult to enforce there is -- there has not been a compliance at the level that we would like to see. It's difficult to enforce because the rules are complicated. You know, we've heard some people in the city government say, well, we need more resources. We need simpler rules. We need to cut that red tape out. We could actually do more with the same money or even less. Also capacity. What you see on the left there is what single family households get every other week, every two weeks. On the right is what family gets. Obviously it sends a message that it's not important for multi-family residents to recycle or if they do they end up with stuff extra and throw that in the trash reinforcing that message. We need more capacity, we need simpler rules. Organics, this is what everybody wants or what we want is curb side organics program. This is the pilot program with the big two big cans right there. But that should be the baseline for everybody. Some people want to compost in their -- let's see where is it? In their back yards. And then there we go, some people want to use a community-based service like the compost peddlers. We need to make sure we allow for all of that. People can opt into one of these more sustainable methods. There is an up front investment of trucks, carts, personnel, the more leeway we allow, the more creativity. Fewer resources we're going to need. Long term savings, residents can switch to smaller trash cans, but tceq has told us, Texas commission on environmental quality has told us if we get 95% of organics out of the trash, we can switch to every other week trash service.

[9:44:55 AM]

That's a 57% cut, \$7 million a year right there. We could cut down water consumption, also, for outdoor watering because compost contains more water. Finally, here's a big low hanging fruit. The city has spend literally hundreds of thousands of dollars on these programs to educate the public about recycling and zero waste. We still have much -- we have no specific metrics to measure whether any of these programs are effective. B, we know that the big picture metrics of contamination and participation are both higher and lower than we want them to be respectively. And, you know, there's a good chance that you may not have heard many of these programs, despite the hundreds of thousands of dollars that we spent on them, right? We need -- last year, we had two -- Ar, resource recovery had two interns, graduate students from Yale university who spent 10 weeks studying the operations of that department in determining what would be the best changes that they could make. Their number one proposal was that we have -- that we change the way that we educate the public about zero waste. We switch from this kind of pr blastout model to ongoing baseline education rooted in our community. We believe that if we were to do that, and we don't have any -- the specifics that need to be worked out. I think the council committee structure offers an opportunity to -- to promote this conversation -- provoke these conversations, that we could take the \$500,000 a year or so we're spending on this, instead give that to local non-profits that have experience actually building change in our community.

[Buzzer sounding]. Save a lot of money.

>> Mayor Adler: What does that mean? Instead of a blast you said more basic, what is the alternative to the blast?

>> Sure, thank you, mayor. Right now, there is no baseline ongoing education going on from resource recovery. Their education ends up like on a comprehensive level, right? What they'll do is they will do these like give us five or these big pr campaigns that last for a finite period of time and then they go on to something else.

[9:47:01 AM]

>> Mayor Adler: What is baseline education?

>> This would mean that you would have people who would be ongoing 365 days a year, educating the public about zero waste. [Lapse in audio].

>> Pr campaign with a specific branding. It would be every day going out there and communicating with the public about city programs. Is that --

>> Mayor Adler: You are talking about like organizers are people --

>> I think something like that would make sense. I think that those are the people who -- who tend to make change in our community and tend to build -- tend to be able to communicate effectively. I think something like that.

>> Ms. Houston?

>> Houston:ing and the value of recycling what that means in our public libraries and our parks and recreation facilities and that's not happening. So we are expecting people -- even though it's in Spanish, some people are not literate in those languages either, we have got others to come and read what's in the insert and act to it. I think you are absolutely right. I think we need more hands on kind of approach to helping people understand the benefits of recycling.

>> I would say this, you are absolutely right. Not everybody is going to be motivated by the same message. I think we probably tapped out the number of people doing this because it's good for the environment. Also good for jobs. It can save us money over the long run. In fact a couple of other slides that are quick things. If we get to 95% diversion, we save 3.5 million a year in landfill fees right there. Right? If we can get -- if -- some people want to hear that message.

[9:49:04 AM]

Some people want to hear the jobs message, some people want to hear justice message, some people want to hear the environmental message. We have to be able to communicate different [lapse in audio]

--

>> Tovo: Austin resource recovery at my neighborhood association, at the neighborhoods council and even at my church at one point. Help me understand what's different about what you are proposing instead of having -- [lapse in audio] -- Staff members who will do presentations.

>> What I think would be needed. Like I said I think this is -- the way I presented it to offices last week and the week before, are at this point it's more of a principle than a policy. I'm hoping that this council will use the innovative structure committees and whatnot in order to explore what opportunities are available here. Because the message isn't getting through right now. So how do we more effectively communicate this to the public. So that we can step up this participation. And so that people are less confused. Real quick, it's all that I was going to say is over the next -- we believe that even conservative estimates, we can get to zero waste by 2030, once we establish these programs that construction materials management ordinance, fixing the [indiscernible] Recycling ordinance, getting organics going and getting our participation rate up, that's the kind of framework that we need to then be able to just keep improving performance on those to get to that 95%. It's 94.3, that's not including our house hold hazardous wastes and other programs that should get it up over 95% and save us, like I said, 3.5 million a year in landfill fees.

>> Mayor Adler: Okay. Just, you know, by way of just noting, I would imagine that the committee that this would get referred to would be the open space environment sustainability committee. Which is chaired by councilmember pool.

[9:51:06 AM]

Councilmember Garza is the vice chair and also has councilmember tovo and Zimmerman on that committee. So -- I'm sorry?

>> Public utilities

[indiscernible]

>> Mayor Adler: Also public utilities committee. All right. We'll continue on with -- with how do we get -- what are the obstacles to compliance with universal recycling ordinance and achieving zero waste. Ms. -- Catuso. Would you please start us off?

>> Thank you very much. I am on the zero waste advisory commission and have been there around three years, I'm really pleased to be there. I've just seen incredible kind of movement throughout. I think what we're looking at now is a lot of the things that have been done, have been done -- with just wonderful intentions and competence and I think we're at a crossroads here. We're not -- we're not getting the diversion rates that we expected. So we're needing to look at new things now. We're needing to be more efficient. So -- so I would like to piggyback on the education part for a second. It's -- it's maybe that was important due to the big blast just to let people know what was going on pr, but I know that's very expensive. The city doesn't get a break on that. So I -- it probably is time to go and instead of the big blast, do more -- [lapse in audio] -- so an ordinance is just that. We're trying to make Austin recycling and composting, we're trying to make it universal. So everyone has access to these services, they live here, they visit here, so we're talking about commercial and multi-family.

[9:53:10 AM]

We're not talking about residential that's already kind of been taken care of over here. So multi-family,

apartments, condos, in fact the code was just changed so it's five -- five residents and up for multi-family, that was changed in December. And then you are looking at commercial, which is food service establishments, retail, hospitality, manufacturing, industrial generators. So -- so we use private haulers for this. Not city services. And there's rules to -- to see -- to make sure that this is done and -- in a certain way. The ordinance was -- [lapse in audio] -- Phased in -- began in October 1st, 2012 and goes from larger to smaller establishments. We want the trash in the recycling carts to be 25 feet apart. I will say something about the space problem in a minute. Then again education is really important on this as well. So I'm going to talk about enforcement and compliance and why aren't we getting more compliance. And I don't think we have to make this complicated ourselves because it's complicated enough as it is for the people that are trying to do this and the city staff. So we want it simple. We want to simplify it. It's expensive right now. And time and labor and labor costs a lot because we're talking about full-time employees with the city department going out. And trying to -- trying to -- to not only educate but also getting people to comply. We're talking about adults here that we want them to comply. So there's also no proactive enforcement and I want to talk about that in a second. So I don't feel like there's been much teeth in this ordinance. And so we -- the ordinance/law. First, this is how it's done right now. There's a complaint, and that can be driven by the department.

[9:55:12 AM]

Or it can be calls to 311 and Mr. Geddert has made sure that the 311 operators know this and they know what to say to people. So that's very efficient at the moment. So there's a complaint generated, then arr goes out for the first site visit. If they are non-compliant, they receive a first notice of non-compliance. They are given 30 days, second site visit. If non-compliant, then you issue a second notice of non-compliance, 30 days later, then you send a notice saying it's going to code compliance. So code then takes care of it. So they are really into the enforcement at that part. So then code has a site visit. Then gives, the people, 15 days that are responsible, then it goes to municipal court and then no telling how many steps are involved there. So it goes like this: Complaint, visit, notice, which is a letter, visit, letter, code, then municipal court. So we want to eliminate the -- the second written notice. So the future would go: Complaint, visit, letter, and code. So now, remember, these people when it starts, when their businesses come up, it's for multi-families, when it comes up, they've got an entire year -- they've been notified of this. They go an entire year and then they need to comply by that year. So I think a year is -- is a long time. In fact it may be too long. We might want to -- if this is about [indiscernible] Rules up, this is what we want to do to look into some of those. We want to get things done. Of course the goal here is to reduce a diversion. We also want to be more proactive. That is right now, it's really only complaints that the department might stumble on or if -- if the people know about these guidelines and they call 311, I'm not sure, there we go back to the education, I'm not sure everyone knows that they have access to recycling-composting when they do.

[9:57:22 AM]

So we really need to pay attention to that, too. I have a lot of people come and talk to me and they are just clueless and these are people that are really competent. So we want to look at how the properties can be evaluated and also how they can be verified for compliance. So do we want to look at hiring contractors to do just this specific thing? And, again, that -- that wouldn't necessarily have to be more money. It would be just taken out of the budget that already exists or that's up to Mr. Geddert how he's going to do his priorities for the money

[buzzer sounding]

>> Mayor Adler: Go ahead and finish.

>> Can I go further?

>> Mayor Adler: Yes.

>> Thank you, there's another obstacle called the annual diversion plan. Everyone that has to comply with this ordinance has to fill out a diversion plan annually. So it is a violation, if you do not fill it out. And the plan, by the way, is a form that Austin resource recovery has developed and they've actually changed it for the second plan which makes it even more streamlined, I don't think it's burdensome, it's very self explanatory. What happens now is if -- if some -- if a statement does not turn in their diversion plan, which is the first step, then Austin resource recovery goes out there to -- to notify them that this is a problem. Well, I think it's important to take that away. You've got the diversion plan, it goes to the rightful person. They have been told that they have to fill this out. So I think it needs to go no annual diversion plan and then there's no site visit. You just notify them that they are in non-compliance, we're talking about a one-page plan here. So -- so we also need to start looking at -- at whether we want this plan to stay in effect because it is a self-reporting plan. So does it work? Do we need it? Can we do something else in its place? So we're wanting to streamline and make all of this more efficient.

[9:59:24 AM]

So the zero waste advisory commission passed a resolution just last month, in February, and it's to open up the rule process. That -- that we need to make it more effective and really simplified and, yes, Mr. Geddert, it is very slow. I think we have bent over backwards to our businesses and it's really important to be fair, but I don't think we need to hold anybody's hands or we just need to make everything clear and fair. Another thing that Mr. Dobbs talked about is increasing capacity for containers for recycling for the universal recycling ordinance. So right now the city -- excuse me, the single family home gets 7.5 times more recycling than the multi-family. And so -- so I know the apartment owners and the apartment association feels like multi-family homes don't have as much as recycling material as single-family homes. We could hear more from them on why they think that. So even if that's the case, you saw the courts that were on your slide saying that the difference between the two, so I think we need to look into that. And lastly, we're -- we need to talk about space and we know how valuable that is in Austin. By the manipulate it becomes more valuable. So businesses -- I think rightfully so, they're concerned that their parking space is being taken over during diversion activity cars. So we want to take care of that and a take it away so that's not a problem for that. So I think we need to look into possibly changing the code, maybe go to the planning commission, but changing the code to allow the owners the room that they need. So what we might be looking at instead of when a -- when parking is being given, it's a parking/diversion activity, so we're not having competition between parking space and diversion activities.

[10:01:29 AM]

We don't want this to be a lightning rod. And so I just want to end by saying that we're not talking about more dollars right here. I'm talking about being more efficient and cutting down on some test time and energy that Austin resource recovery is using. Thank you.

>> Mayor Adler: Thank you. Just for the record, to say out loud in case people are watching, the other committee, the public utility, because it's a group, we prioritize and list it had in two different committees, also the public utilities. And the public utilities is shared by councilmember Garza, councilmember Zimmerman is the vice-chair and it also has councilmember troxclair and T also on there. Any more questions before we go to the next panelist? The next panelist is David roadwall. Can you turn that on and get it close to you?

>> Morning, council. Thank you for the invitation. And addressing some of the obstacles to clients and

the universal recycling ordinance, I think most of what I wanted to say about commercial recycling has been touched on. I think -- I'm with river city rollofs. We're a local hauler and recycler of construction and demolition materials. And what some of the obstacles would be on a business standpoint would be just keeping things simple, keeping the reporting simple and not creating additional, you know, burdensome, -- just internal administration type of -- pardon me.

[10:03:33 AM]

Administration duties for both the customers and.

>> Zimmerman: Could you pull the mic a little closer? I'm having trouble hearing you.

>> Some of the obstacles with the universal recycling ordinance, it would be necessary to keep all reporting requirements streamlined for both, s and customers of these businesses who are recycling.

And keeping the entire recycling process simple. Similar to the blue bin program that the city has, although it -- I understand there's certainly need for improvement to increase recycling rates. The similar programs for commercial will allow for, you know, increase of recycling rates, not by just adding the commercial clients to the MIX of materials being recycled and diverted from the landfills, but it will also by keeping it simple, it will also increase the recycling

[indiscernible] Within the blue bins and the commercial by being able to educate the public on a single level, not just commercial, but residential. My focus is primarily as a manager of a recycling company, is to improve the diversion for our economy and I think some of the most -- some of the largest opportunities to divert materials certainly do exist within the construction and demolition stream of materials. Those materials are challenging to recycle and divert. Most of the materials are diverted for a beneficial reuse as opposed to recycling in traditional markets that the other recyclers typically processed.

[10:05:35 AM]

Those materials being, you know, fibers and papers and metals and glass and plastics is, what have you. The recycling of commercial and demolition materials involves much larger, bulkier materials, concrete, wood debris, brush, a whole variety of plastics, metals, what have you, that come from these various construction projects. And in implementing the construction and demolition ordinance, recycling ordinance, I think it's necessary to really look at the markets that are currently exist in Austin, the markets that are becoming available in Austin and before -- and continue to develop those markets so that there is an outlet for certain materials. The current goals are a 50% beneficial reuse by 2015, 75% by 2020, and 95% by 2030 for those materials. The materials are processed and/or delivered to reproducers for end use markets, and there are often voids and gaps in the markets. Primarily with mulch and compost companies not being able to process the construction materials, not having the proper equipment to process the construction materials. Those materials have a tendency to be wood that's contaminated with nails, screws, metal plates and even packaging type materials from pallets, what have you.

[10:07:37 AM]

Although a lot of this will continue into market that can handle these products with redesign of the processing systems, it will external allow for these materials to be diverted in ways that the city is achieving the city goals of composting the materials. I think the current markets aren't such that all these materials could go directly to a composter just by the limited number of companies that provide this service in Austin. I think that it's necessary for Austin resource recovery and the city of Austin in

working towards these goals that it truly identified the gaps in the market and understand that they're within this industry and there may be a necessity for temporary reuse of these materials that don't fall within the hierarchy of the diversion plans for the city, but perhaps fall on the level of disposal which would be reuse of some of the materials as a fuel product. These materials are bulky, they are approximately 30% of the city of Austin's waste stream, and by doing this, this would eliminate accumulation of materials at various sites. It would reduce fire hazards at various sites. And these are things that to my knowledge aren't currently being addressed, but aren't addressed because they are typically products that are bailed and sent off to markets that are worldwide and established and effect actively commodity markets. These are markets that are developing, and I'd like to see just a softer approach, if you will, and putting the policies in place that would require composting or require mulching when there's currently not facilities there that can handle all of these materials.

[10:09:57 AM]

Thank you.

>> Mayor Adler: Thank you. Any questions or comments at this point? Ms. Gallo?

>> Gallo: Thank you for your honest appraisal of kind of how the system is working and what things are not and what things could be. So of all of the products, the building materials that are put in your rolloffs, what would you say is the material that's the most marketable that should be targeted first to be recycled or reused?

>> I would say the levels of market act would be metals and cardboard, you know, concrete. There was crushing capability for reuse of concrete in Austin. For use in road base and select fill. And then as you get into wood and brush, our company has a pretty extensive grinding capabilities for both [lapse in audio] -- For mulch and construction materials on more a commodity type level. I would say that the top materials -- I would say all of those materials are recoverable and are currently being recovered. I think it just needs to be not directed back into compost and not necessarily directed back into compost and not necessarily directed back into mulch because a lot of these construction materials are very challenging to process and the capabilities aren't necessarily there at this point to have a really nice material as an end result.

[10:12:00 AM]

>> Gallo: Do you have an issue --

>> As far as compost and stuff there's adequate brush and wood waste in Austin. Certainly as the city -- [lapse in audio]. There has to be an end market for it.

>> Gallo: When you talk about the wood waste is there a concern for treat the lumber that's part of that?

>> Sure, it's diverted in the waste stream, yes.

>> Gallo: Thank you.

>> Zimmerman: Thanks for that presentation. I appreciate your work in this industry. Let me take a step back and ask a real common sense obvious question. If I'm waste management and I'm on the receiving end of your rolloff, right, so you bring your trash in, you pay to dump it, the company that receives that material, they have this material now for free that costs them nothing, it's already there. And my thinking, these are business people that like to make money out of things. If it were profitable to recycle, you drop off at the end point when you're done, it would already be being done. Think about it. If I'm waste management and I'm receiving what you roll off and give to me, great. I have all this raw material for free. And imagine the money that I could make if I don't have to bury it in my landfill. If I could recover it and recycle it and sell it and use it for something there at the place that it's dumped off,

I'd be the richest person in the world.

>> I'm not sure what the question is here.

>> Zimmerman: The question is doesn't it make sense to you that these materials do not have value? Because if they had value, that value could be recognized and it would be received and profited from at the landfill.

[10:14:03 AM]

>> They have value for our company. A landfill is a bit of a different operations and certainly if I owned a landfill I'd have a -- some sort of sorting facility. I'm not a landfill operator.

>> Zimmerman: If they had value you wouldn't take them to the landfill, would you? Because if you take them to the landfill you have to pay to get rid of them. Wouldn't you rather receive money from that trash rather than having to spend money to get rid of it? So if it had value you wouldn't take it to the landfill, would you?

>> We do receive money for our materials. So I'm not sure where exactly -- landfills absolutely, they receive tipping fees and they push that material into holes and a lot of landfills do recover materials. I'm not sure what the recovery rate is or if there's any at certain landfills. I developed my business at one point in driving a truck and seeing the materials that I was disposing of in landfill and seeing the opportunity there. So we certainly pay to dump certain residual materials at a landfill, but the majority of the materials that enter our facility are not landfilled. And are processed and sold for a profit.

>> Mayor Adler: Thank you. In comments, if not now, then later, I hope that somebody addresses or more than one person addresses the remanufacturing hub that's planned in the future so that we hear about that as well. Yes, ma'am.

>> Thank you very much for recognizing me.

[10:16:05 AM]

Mr. Zimmerman, I have a feeling that that's partly why we need this ordinance is that there has been such a break neck course here in Austin that I would assume that the large builders, it would be more timely for them to sort all the materials than to go on to the next job and make money. And so that's why I think we need an ordinance that we're going to need to have these things recovered. And there are -- tds, hopefully they'll speak to this later, does do all this, what you were asking. So I think that we just have got to slow things down a little bit and get our priorities straight in Austin.

>> Zimmerman: I want to be clear. I think maybe I'm being misunderstood here. The point of all this is if it were profitable for us to do recycling, people would be doing it. And they are doing it to the point that it is profitable. To the the point that it's not profitable, you want to come in with ordinances and force people to do it, okay? And that is going to raise the high cost of living in Austin. Someone's going to have to pay. And it's going to contribute to unaffordability. I want that point to get across is it all sounds good, but when you look at the cost it's going make the affordability problem worse.

>> Well, then we have to figure out where the cost is going to go because I do believe that it is -- it is not a big money maker for these big builders to separate all their materials. They would rather go on to the next site. That's more money in their pocket. So we've got to figure out something in Austin where we're not picking on them, but making sure this is how we want things to be done here.

[Lapse in audio].

>> Mayor Adler: Mr. Dobbs?

>> Thank you. I appreciate it. Real quick, I'm sure that Adam Gregory from tds is going to be before you later on and will be able to address some of your concerns. They do sort this material. I don't know if it's builders or not that are involved here. I'm not going to comment to that. But some of the big -- the

waste management hills, the big landfills, their model is not based on that.

[10:18:11 AM]

They would rather avoid the investment costs of hiring somebody to sort it, hiring somebody to market it and getting it to that market, right, than it's -- their math says let's just dump it. It's easier for us. Whereas smaller operators like tds on do see that value, right? So it's different models in different markets. Just want to make that clear.

>> Mayor Adler: Mr. -- Mr. Geddert?

>> Quick comment. The notes and comments from Andrew and Kathy and David that show some weaknesses in the ordinance, these are going through our stakeholder review processes right now, these comments are very much actively playing out with our stakeholders and going through the commissions at the committee level. This will be moving forward to a council committee and a council. We are very respectful of these opinions.

>> Mayor Adler: Got it. Thank you. Mr. Earhardt?

>> Good morning, mayor Adler, members of city council, I'm Rodney earhart, the executive director of keep Austin beautiful. We are a nonprofit organization founded in 1985. Our mission is to provide resources and education to engage citizens in building more beautiful communities. I think that we all understand that in order for to us achieve beautiful communities we have to achieve clean communities first. That's the basis of any beautiful community. And we actually have the opportunity to partner with multiple city departments. Today I want to talk a little bit about our partnership with Austin resource recovery and the programs that we have in engaging citizens. So just to give you an overview of the amount of volunteers that we are working with throughout our community, which I think this speaks volumes about the citizens that we have and everyone's civic responsibility and their desire to create great communities.

[10:20:15 AM]

And last year we had over 15,600 volunteers that contributed 33,500 hours of service and removed 72 tons of trash in our community.

[Lapse in audio]. In regards to our beautification

[indiscernible] Projects, and we spread 150 cubic yards of soil and mulch across the city. One key point that -- that came out of a litter study from keep America beautiful in 2009 is a strong contribution to littering is by existing litter. It's so important for us as a community to ensure that we have consistent and ongoing cleanuppists. And we actually work on doing that through our programs for the community. So we have a community cleanup program that we actually offer 365 days a year to citizens of Austin. If someone has an eyesore in their community that they want to have a positive impact on, we will provide them all the cleanup supplies that they need, that would be trash bags, gloves, trash grabbers, we can also help coordinate their trash collection. If they have an area that has a significant amount of trash we can help coordinate that trash pickup. We also can help if a volunteer has an area in their neighborhood that has a substantial amount of trash, we can help them in recruiting the volunteer -- the volunteer hands that they need to make an impact there. Just last year we had 352 cleanups, we engaged with over 6,000 volunteers and were able to collect 29 tons of trash through that one program. You all have a little brochure that I think was put on the dais for you.

[10:22:17 AM]

Our largest citywide cleanup takes place in April. Last year we had over 4300 volunteers that actually

worked at 130 different locations and we were able to collect 30 tons of trash in that one day. Our crown jewel, lady bird lake, which we know that it is a very important environmental feature for our city, we have cleanups that take place every other month. Last year we involved over 1,615 volunteers. There were 20 different locations that those volunteers collected 13 tons of trash. So again, it's just another opportunity for us to have a positive impact on not just the esthetics of our city, but also the environmental impacts of keeping that litter out of our waterways. And then of course, illegal dumping. Illegal dumping is something that occurs as a result of littering. Littering is that baseline. You drive by a vacant lot you see one couch. You drive by in two weeks you see a couple of tires there. You drive by a week later and there's more debris that is collected there. So that's why it's so important for us to make sure that we have those ongoing cleanup efforts and we're removing those items immediately when we see those. So through our partnership with Austin resource recovery, also with code enforcement and watershed protection we're able to work with the community, engage citizens and in actually cleaning up those illegal dump sites. The picture that you see there is an illegal dump cleanup that occurred at shoal creek. So this right here gets to the goal of truly what keep Austin beautiful is. And that is to have ongoing commitment, people who will make a commitment for a long-term because you know, wouldn't it be great if we could clean our houses once and then not have to clean it again, you know?

[10:24:18 AM]

My chore life as a kid would have been a lot better B it's this -- but it's this component here that really get to the point of us having that consistent, ongoing cleanup. So through our adoption programs, you may have seen out adoptive street that are around the city. We also have an adopt a creek program. Groups will make a two-year commitment. They will commit to at least doing four cleanups a year. So that's eight cleanups during that two-year time frame. And currently we have 171 groups committed to the adoption programs and we have about 98 miles that have been adopted and those groups are really taking and giving some love to those. So I think that we all understand that keeping litter out of our community is an ongoing process. It's something that we have to do on a regular basis. But one that our organization, keep Austin beautiful really feels is a huge combatant to littering is beautification. So the use of landscaping, improving the built infrastructure and ongoing maintenance to set a community standard and promote a sense of personal responsibility not to litter, you see below there three pictures of beautification grant awardees from keep Austin beautiful. The first one there is an entrance to Windsor park neighborhood, which is at 290 and Berkman. The second photo that you see there is plaza saltillo. We've worked with the neighborhood there to beautify that area, to make it really a community asset. And the last that you see there is an entrance to battle bend neighborhood. So truly being able to install landscaping, mulch, great plants, it totally deters litter.

[Buzzer sounds] And it also creates a large sense of community pride, which is something that we want every community to have.

[10:26:20 AM]

So just to show the need, I wanted to show the need and this is the one piece. I know mayor Adler said if there was a couple of things that you could ask us, one point that I definitely want to make is that there is a huge need and demand in the community for beautification projects. Since our program's start in 2005 we've been able to put 77 of the projects on the ground. Just in 2013 I just want to show you that we have the ability to give \$10,675. We receive rewards in the amount of 42,000. So that's a 30,000-dollar deficit of neighbors who really want to beautify their area that we don't have the resources to help. So [lapse in audio]. We really would -- the groups have made those two year commitments on beautifying their community that we can provide them the resources to make that happen. There's so

much more to do there, but we firmly am that it's not where you -- believe that it's not where you live, it's how you live. And we believe that we can work within the community that everyone has a community that they can be proud of, one that they can look out and be really just pleased with the esthetic of how their community looks. So I've mentioned some of the Numbers of the volunteers, but I also want to make the point that this is -- the type of work that we are doing in the community goes beyond the Numbers. You know, it's a great opportunity to engage citizens in physically active volunteerism. You have an immediate result. You go to a lot that's completely trashed after two to four hours of those volunteers working together you get to leave and feel good about the fact of look at what we accomplished. So it's really a great opportunity to create that civic pride and give them the town to have that immediate -- to give them the immediate result and the immediate feedback.

[10:28:21 AM]

It also instills a sense of civic responsibility and pride. The city can't keep our great city clean alone. We have to have citizens who are also involved in the process. So this is an opportunity to do that. Also talk about the environmental impacts. We're preserving habitats for wildfire. I've seen so much pictures of birds that have eaten cigarette butts because they think it's food. Being able to clean up the areas truly has a positive impact on our habitats and our wildlife. Of course we're protecting our water quality by keeping litter out of the waterways, out of the storm drains, and then of course last, and certainly not least, is preventing illegal dumping. If we are ongoing, if we're on top of vacant lots and places in our community that are being littered and we're actually taking care of those on a ready basis and quickly, we can prevent illegal dumping from happening. So that's all I have. I want to thank you all for the opportunity. I also want to say that we want to work to ensure that every neighborhood that has a desire to beautify their community has the resources to make that happen. And we are convinced and committed that we can do that with the help of the new incoming city council. Thank you so much.

>> Mayor Adler: Thank you, sir. Any questions? Ms. Garza?

>> Garza: I'm not sure if this is for you or Mr. Geddert, but what you said remind medicine of an issue that we have in district two. Especially in the dove springs neighborhood there is TV's, sofas sitting on curbs and that really does -- I mean, it affects quality of life when you're driving down streets in that area. So I'm wondering what is the mechanism, how long -- what is the mechanism for getting that cleaned up as quickly as possible?

>> A quick question from our department, but Rodney's group also assists in this effort.

[10:30:26 AM]

Dove springs, rundberg and many other areas of the city, we provide beyond the twice a year pickup, we pickup monthly. Since the onion creek flood we're in the onion creek area picking up monthly on the bulky materials. We are reevaluating every year the spots around the city that are needing more pickup. Our challenge is exactly what you identified, the move-ins, moveouts of the apartments. And the responsibility of the owner of the property as well as the tenant in handling that waste, it generally ends up on the curb and we generally try to pick up that as quickly as possible. Our work with keep Austin beautiful is neighborhood cleanups where we can get an organized group of neighbors to pick up the materials and clean up some of the vacant lots that get dumped on in those areas as well.

>> Those monthly pickups, is that done -- are they charged? Is the --

>> It's a free -- I qualify it. It's a free service to the residents. It is a cost factor within our services that we provide.

>> Garza: I'm wondering if that would be a possible deterrent is charging a fee to those -- to the homeowner who -- you can't leave your tenant's trash out there? Has that ever been considered?

>> We are exploring that, yes. The awkward part is that in an apartment complex, say, a four-plex, in many of these areas that we talk about, we're talking four-plexes, our billing customer is the tenant and the owner is not involved in that conversation. We'd like to get more owner responsibility of how their tenants are leaving the condition of the property. And sometimes there's forced departures as well and the material is set out at the curb at the owner's requirements. And yet there is no customer to charge. So we'd like to discuss with the law office how we can charge the owner in those situations?

[10:32:31 AM]

>> And I also wanted to add as well that through some of our partnerships with the waste haulers, we do have 20 and 40-foot rolloffs. So if neighbors contact us and say we have an enormous amount of trash, it's quite a long time before we have our next bulk pickup, we can have the rolloffs placed in a convenient location. People can actually put all of their items in them and our waste haulers will pick them up. So that's another way we can try to combat that illegal dumping as well.

>> Mayor Adler: Ms. Gallo and then Mr. Renteria.

>> Gallo: I want to applaud you for the bulky item pickup. It seems like absolutely the best reuse encouragement program we have at the city. I mean, it's really fun to watch the process as everything is set out at the curb at the beginning of the week and by the end of the week when it's picked up by the city, most of it has been picked up on somebody's truck and transported somewhere else. It really works well. And a thought might be coordinating with the apartment association to find out a big moveout schedules and to coordinate some of the additional bulky item days for those times of the year that people would have a tendency. And tenants are bad about that. They'll just leave something out and just assume it's going to disappear by itself. But maybe a little bit of the timing coordination, but lots of kudos for the bulky item pickup. Seems like it works really well.

>> Renteria: Yes. I want to thank you and keep Austin beautiful, but there's also another group that is -- they just came out yesterday in 78702.

[Lapse in audio]. That's U.S. This Saturday the weather was so bad that aid, the buses they use to get around in my community that they lease with -- they decided not to allow the buses out on the street because of the weather.

[10:34:37 AM]

But you know, there were like 1200 kids showed up anyway. I mean, they commuted. And thank goodness they took capital metro, which I said hey, this is about time these kids are actually getting on a city bus and see how the other people --

[lapse in audio]. They still showed up and they stayed and -- they did a wonderful job. They did our neighborhood -- they took all the trash, they trim and cleaned people's yard. The only thing they could do is the -- didn't do is the painting and caulking outside and they are committed to come back in March and finish that up. The vocational tears in Austin are just fantastic, especially the young people. They come out and have a really great time. I want to thank your organization and U.T. For the wonderful job that they did for us and the trash that they picked up. And it's just a wonderful job and I'm very proud of the young people here in Austin for their commitment. Thank you.

>> Mayor Adler: Thank you. Ms. Tovo?

>> Tovo: I just wanted to thank Mr. Earhart and Mr. Geddert for making the connection between illegal dumping, which is really in very connected to our public safety goals in making sure that our communities look cared for and that's part of part of stopping crime in a neighborhood is part of a community policing effort. So thank you for making that connection. It quite as clear as -- in my mind as it was after your presentation, so I appreciate you talking about that. And I guess I do have a question,

Mr. Geddert. If there are -- I know of some kind of unusual situations where, for example, in one neighborhood a home was sold and five mattresses were pitched over the -- into the creek.

[10:36:41 AM]

And it seemed quite clear that it had been the owner of the property, but because nobody saw it they couldn't hold that person responsible, but I know we did get some city neighbors to pull it out of the creek, which was no easy feat, and then Austin resource recovery, which had a different name in those days, did come out and pick it up. So if there are unusual circumstances where a neighborhood needs assistance like that, is that something that the city can continue to provide on an as-needed basis?

>> Yes. We'd like to be numb bell and reactive -- nimble and reactive to those situations and any citizen with call into that 311. If it comes into a council office contact me directly and we can find the right city resources to pick up the material. In many of those cases speed in response to very important.

>> Mayor Adler: Thank you very much. Next speaker is viaz kazi, speaking to us about how you translate zero waste policies into economic development, job creation as well as greater affordability.

>> Mayor and councilmembers, good morning. I'm with the zero waste advisory commission. I've been on there for five years. A lot of folks have spent hundreds of hours on the master plan that was adopted in 2011. And I know director geddert spent lots of sleepless nights on it as well. I'm going to use that as a backdrop in context for my comments. It's a great document and it's nationally recognized, I believe. I'm going to start with the bad and then end with the good. There's some very lofty goals in the master plan. And a lot of them require additional services. So the department providing additional services and they're going to need higher rates. So until we can see us reaching those milestones of 50% or 75% diversion, and seeing those savings on the landfill side, we're likely to see increases over the next several years, but there is light at the end of the tunnel.

[10:38:54 AM]

In general those lofty goals are over the next several years counter to affordability. So here's the did. On the screen are eight opportunities presented in chapter 15 of the master plan. Third from the last eco business park and the last one brown fields, I think in my opinion are the two homerun opportunities for economic development. Eco business park, Natalie BETTs is more equipped to talk about this than I am, but I'll talk about brown fields. And Natalie, are you -- okay. So let me talk -- [lapse in audio]. So brown field properties throughout the city. This is throughout the city. It's a long list. And able sure there are properties on this list in each of the 10 districts. And the city is able to apply for grants to evaluate and remediate those brown field properties and make them ready for development, whether it's for affordable housing, meaning just affordable housing, not necessarily low income, but affordable housing. I think this program right now is operating on four cylinders. I think there's an opportunity to do more with this program with the commitment from the 10 councilmembers and director geddert, we could move this further. And I'm asking for that commitment. I was dropping my daughter off this morning at the montessori school and she said daddy, are you a good guy? Usually she follows that with something she's about to ask and she gives me this frown and says, don't shout at me when I ask you to take my toys to school. So I'm going to ask you, councilmembers, are you good guys and gals? I'm looking for a commitment toward this brownfield program and support for -- [lapse in audio].

[10:41:02 AM]

For director geddert.

>> [Inaudible].

>> My name is Natalie BETTs. I am the economic development liaison for Austin resource recovery. And the industrial park there we've renamed the Austin manufacturing hub. And this is a project in development right now. We have about 100 acres at the city's former landfill at F.M. # 12 and we are working to redevelop that into a place where zero waste businesses that can remanufacture products from those that we collect and those end markets that are really needed in this community to relocate there to help address some of the issues that David brought up and to councilmember Zimmerman's point about the value of materials, I think the most material does have value, throw but there's two obstacles to capturing that value. And one of them is that it needs to be treated like as a valuable material at the point of collection. And then secondly, it needs to not lose all of its value in getting to its end market, so it needs not to lose all its value in the cost of transportation. So if we have that end market here in Austin we can help bring more material to its end use. And truly capture all the value in the material that we're putting a lot of effort into collecting. I'm happy to answer more questions about the project, but that's the overall of why we're doing this and it's also a great opportunity to create manufacturing jobs in Austin and take about 100 acres of land in southeast Austin that doesn't have taxable value right now and turn it into a productive land and -- land that can generate tax values to the city of Austin.

[10:43:11 AM]

>> Mayor Adler: Where are we right now with respect to that project?

>> We're still in the planning phases. And we're working with an engineering firm to design some of the basic infrastructure. There does need to be infrastructure brought to that property in order for it to be ready for private development. And we're hoping to be under construction on that next year.

>> Mayor Adler: So what are the best candidates for business there?

>> I think the best candidates are one where there is the greatest chance for the loss of value in the transportation. So that could be things like glass reprocessing because it's very heavy. Gypsum board is a major opportunity in the construction demolition industry. That is a material that has value, but needs to be processed really close to where it's collected. And C and G material because it tends to be bulky, has a lot of value in being processed here locally. So we're really focused on the materials that have the greatest challenge to be recycled right now.

[Buzzer sounds] So those that don't have -- those that don't have really strongly developed markets already. So certain materials like aluminum or plastics 1 and 2 resins, those have very developed markets and have a home to go to. And we're focused on those that don't have strong markets already so we can have those materials here.

>> Mayor Adler: Okay. Ms. Houston?

>> Houston: Thank you so much. This is probably not a question for you, but the things that I needed an answer to. Where is ecology action going to be located?

>> Quick answer on that. We are working with ecology action. We are working at a site on our Todd lane facility for ecology action to move to. Their lease expires in may. They may have an extension on that lease through December, but nonetheless there is an end date that they do need to move from that current site. And we're working with them on relocating to a city site on Todd lane.

[10:45:14 AM]

>> Houston: Thank you. And the next one is when we talk about commercial establishments and composting does that include food trailers?

>> It does include food trailers in the universal recycling ordinance, including the food waste rechap captured requirements.

>> Houston: And I heard through the grapevine that you are considering a resource recovery facility in district 1 and I've heard nothing about that. So after this is over would somebody please get me up to speed on that?

>> I would be happy to meet with you on that, yes.

>> Mayor Adler: Mr. Renteria and then Mr. Casar.

>> Renteria: This is just for information for myself. I've seen where, you know, because of the gentrification that's going on in the inner city where they're just going in there and just tearing up a whole house down completely, putting them in a big dumpster. Do they recycle that material or all that gets buried in the landfill?

>> From our perspective, we desire that material to be captured. At the moment if it's in a green -- a green energy program that's trying to meet Leed standards or some type of environmental standards, they are required to capture -- recaptured that material for recovery. The construction and demolition ordinance that is going through our commission at the moment desires to require that material to go to one of the many facilities and through one of the rolloff companies to capture marketable materials. And it's recognized that we have challenges on certain types of materials, but we're trying to capture that material that can be recycle.

>> Renteria: So y'all just take to to the landfill and dump it and they come out and take whatever they need out of it and the rest of it gets buried?

[10:47:18 AM]

>> It's probably best for you to answer that one.

>> A lot of the materials from demolition sites are source separated on the site. And those materials are then sent to various locations directly from the site. And the demolition companies have a tendency to do all of their diversion that way, so concrete will go directly to a concrete processor, wood if it's able to be separated will go to a facility that can process wood. Metals obviously to metal companies, what have you. So there's a significant amount of demolition materials currently being recycled, yes.

>> Casar: I had one question. You said that next year we'll begin perhaps infrastructuring -- investing in the infrastructure for the area. At which point in our timeline do we expect the private partner to come in and begin a operations there?

>> We would plan to about a year before construction would be complete start to bring -- approve tenants and start with [off mic]. And as soon as they are finished they will be able to start construction. Exactly when depends on how long their timeline is.

>> Casar: Okay. Thank you.

>> Mayor Adler: Okay. Ms. Garza?

>> Garza: You mentioned the brownfield real estate. And I didn't know what that was, so I just read about it. I thank you for giving us this master plan. And you asked for -- for support. Is that -- you said ask the council for support. Is this -- I noticed that it says that there will be two staff members transferred from watershed that will be responsible for implementing the mission. Has this been budgeted or are you asking for us to get you that help?

>> In discussions with our commission, there is the desire to expand this program. A few years ago this program was transferred from watershed protection to my department, Austin resource recovery and it was downsized to one staff person.

[10:49:26 AM]

That's the four cylinders that they are referring to. One staff person -- we do have a 400,000-dollar grant from E.P.A. For site identification, testing, cleanup activities. 200,000 in petroleum contamination,

200,000 in other hazards. And there is a need to reshape and remission this program. And I'm in discussions on that topic. If there is an additional appropriation needed that would go through council. [Lapse in audio].

>> Garza: And the redeveloped hamburger place, and it talks about how the program gives money to the property owner. So did they give the property owner that owned it as a service station, then they gave that property owner the incentives or somebody buys it and they have it both ways?

>> Good question, complicated answer. It's dependent upon the situation and the ability of the use of the grant -- of the

[lapse in audio]. Of federal dollars. Unused, vacant and tainted in the real estate market by its past history. We do testing. Many times we'll do environmental testings with the grant dollars and we'll find that the site is clean of any contamination. And then it goes back to the real estate agent or the owner it at redevelopment at no cost beyond that, beyond that testing. It's just cleared and the deed is cleared. If we find contamination we clean up that contamination, we clear the deed and we work with economic office of the city on economic incentives for redevelopment of that site, depending upon the situation with the owner of that property. What our goal is to take care of blighted properties throughout the city.

>> Garza: Last question, I promise. Because there's a lot near stassney and south congress that I believe used to be an automotive repair and there's nothing there and it's just like an eyesore.

[10:51:34 AM]

Would this department -- someone do report that and say hey, brownfield real estate program, can you come check this out and see if this is an opportunity for mitigation or is that what the program does basically?

>> Yes. Any sites that you might identify refer to our department. Also we are planning on a community site identification program where we work with the community on identifying it proactively. And we'll work with your office on that.

>> So councilmember Garza, I was going to say the two opportunities that I see from a commitment from a councilmember level is not just the funding -- the funding is one issue and they may have already have that budgeted, but really the community itself identifying these properties that are an eyesore in each of the district communities. And working with this program. I mean, if you can get your policy aides or advisors or even at the community level identifying these properties.

>> Garza: I think it's a wonderful opportunity. If you for letting us know about that.

>> Mayor Adler: Okay. Anything else? Mr. Zimmerman?

>> Zimmerman: Thank you, Mr. Mayor and again, I want to thank you for organizing -- I know you guys put a lot of work into getting our speakers, but I want to refer to this booklet I was given a binder here, Austin resource recovery. There are hundreds of pages of material in here that backup the view that this is all a good idea. I think I have six speakers here, but I have not heard any voices as part of the presentation that maybe zero waste is not a good idea, that it may not be affordable or sustainable. I need to keep emphasizing these points because it was my intention coming into forum that we could hear from both sides of the debate. Identified heard from one side -- I've heard from one side about six times and I've got hundreds of pages of backup material.

[10:53:35 AM]

I don't know how I can have an honest policy evaluation when all of the information supports one position. So I guess I would be -- but thank you guys for coming but I was hoping to have some other points of view because it is a policy discussion. We just had a town hall meeting on Saturday, which kind

of shocked us because we had 56 people show up on a day of freezing rain and icy streets, but we were packed with 56 people. And the cries for affordability keep coming up. And I think of 10-1 and my election in north Austin as one of affordability. This whole program is going in my opinion from what I've heard is going in the opposite direction, so while zero waste is -- they have ordinances and rules and I hear calls from compliance which is going raise costs and increase taxes and butt putt some small businesses out of business. So while I guess the city bureaucracy is calling for compliance, the voters are calling for affordability and these things are butting heads right now. I want to make you aware of that.

>> Mayor Adler: Okay. Thank you. We have some voices from the -- other voices that we'll talk about and at the end we'll give the panel a chance to respond to anything that has been raised. Eric Goff. Thank you. And then Maya Corbett.

>> Good morning. My name is Eric Goff. I'm a co-founder with the compost peddlers. I've met with many of you. You've probably seen us in the community. If you are not familiar with us, we are an organics recycling company. We collect everything by bicycle and we take it to community farms, urban farms and even backyard gardeners.

[10:55:35 AM]

So we're the distributed model that Mr. Geddert mentioned as an example of the kind of things that you could do instead of the centralized collection service. We have been in the community for a year and a half, two years now, and we're growing quickly. We're in most of east Austin above the river and now in central Austin as well. And I want to say something specifically, we started our business because of the universal recycling ordinance. So the city put in diplomacy place a policy that was going to obligate restaurants to recycle their food waste and therefore we started our business in response to that. So it's a good example of how city policy has benefits in the private sector. I want to talk also about the rollout of single-family organics diversion so that composting green bin we've talked about a few times. As you're no doubt aware I'm also in that business and I pick up from single-family homes and the procedure that we've talked about, the zero waste advisory commission is now one of the working groups and something that I support seeing, which is the city will rollout collection service for single-family households and those people that are already backyard composting would not have to pay for that because they're managing on their own. And if they're also using the community program like ours or if they take it to their school garden or their church garden or anything else, then they could also not have that line item on their bill. So it's a way to offer people a simple way to do organics diversion and not have to pay for it on their utility bill. So I'm looking forward to that discussion and it was on the calendar for 2015. We'll be an active participate and I think it's -- at this point it's a workable and worthwhile innovation would be the only city in the country that is doing organics diversion that also has a community component and a way to cover yourself in your own backyard.

[10:57:44 AM]

So I will talk to you more about that as it comes closer and I appreciate your time. I'm available for any questions.

>> Mayor Adler: Thank you. Thank you very much. Maya Corbett.

>>> Good morning. I'm Maya Corbett with the Texas line for recycling, star. We're a nonprofit group based in Austin, but statewide. Our mission is to increase the recycling rates to the highest available given the bounds of economic principles. We've recently conducted of first of its kind statewide study of recycling. I've left a copy here for each of you. And it shows that there is a big opportunity for Texas when it comes to this material. Just a quick distinction of where recycling falls in the overall zero waste philosophy and practice is recycling is making raw materials from what we have already used and is

getting that raw materials to a manufacturing sector such that it can make new materials. And that is an important thing to keep in mind, especially when you look at the data that will be provided in this report, which is almost 14 million tons of material was recycled in Texas in 2013. And that means that material was sold into a marketplace. Not just it went into a bin or it was picked up and collected and processed, but more so than that it was again used as a raw material source in the production of a new material. And of that almost 14 million tons, over six million tons of that came from msw, from our homes, businesses, schools and communities. And that profit, that manufacturing, that taking that material and turning in to a new material, even that narrow section of the stream produced over 12,000 jobs right here in Texas.

[10:59:52 AM]

So that is just the narrow snapshot of material that got made into a new material. That does not count the picking up, the collecting, the processing, et cetera. So the potential for jobs is really astounding and exponential growth is possible. And in fact, that growth does take capital investment. Recycling -- again, taking material and turning it into that next material is the 21st century of resources. This is our next natural resource is using that natural resource again and again to make the new materials that we need. And that of course is going to take investment in the infrastructure, education, market development and that is not only undertaken at the public level, but at the private level as well. You'd heard from many private folks here today. I hope that you will hear from others the mrfs that we have in town, the material recovery facilities that again take this material, process it and get to a marketplace, those businesses have spent tens of millions of dollars in order to get the infrastructure the city needs to move that material. And it is a part of the community's responsibility to add the policy --

[buzzer sounds]

-- To help get that part of the infrastructure to that material marketplace.

>> Mayor Adler: Thank you. Mr. Geddert, you said in answer to councilmember Zimmerman's question earlier with respect to the cost benefit analysis, that that information was being compiled, you would get it for us and it's available. It might be helpful if you could give us just a 1-pager on that that would gather in one place that question of how much does this add with respect to affordability in the city, juxtaposed to whatever businesses or income or jobs have actually been created or anticipated so that we could see that in one place.

[11:01:54 AM]

I think that would be helpful.

>> Yes.

>> Mayor Adler: Ty, sir.

>> Mayor?

>> Mayor Adler: Yes.

>> I wonder if we could conclude how much it would cost to build a new landfill here in valance.

>> Mayor Adler: Couldn't hear you.

>> Renteria: How much it would cost to build a new landfill.

>> Mayor Adler: Okay. Okay, we'll begin. Ms. Garza.

>> Garza: On the mayor's request, Mr. Dobbs, you mentioned you saved \$3 million by not -- not in landfill fills. I guess it would be good to see what the offset is. If we're saving \$3 million on this end but how much is it costing on this end to, you know, process -- to repurpose or recycle that? That would be helpful.

>> Mayor Adler: Okay. Ms. Pool.

>> Pool: I had one other question. Pharmaceuticals that people have, are not using anymore, often are flushed down the toilet and I think that's because at one point we were actually told that's what we should do with them rather than leaving them lying around the house. I know there are some collection avenues for those. Is it once a year for the collection?

>> Yes. We've worked with the drug enforcement agency of the U.S. Government, two collections per year for the last few years. That program is in the phaseout stage at the federal government level right now. There is intent by many communities around the country to work with a retailer takeback program at the pharmacies. The difficulty is that these are regulated drugs that they don't want drug trading of this material. And we're talking household medications that we have access material of that we shouldn't flush down into the drain. We're looking for alternatives, and we're looking for the national program to assist in a retailer take-back program preview I do know many of the national chained retailers are heading that direction.

[11:04:04 AM]

>> Pool: Could somebody real quick explain why we don't want to flush these drugs down the toilet?

>> It's my understanding -- I'm not a water expert, but it's my understanding that it is lapse. [lapse in audio]

>> As well as drinking water quality.

>> Pool: So the drugs themselves break down in the water and it can have a detrimental effect on the water treatment plant and maybe cost extra money to repair or have sufficient filtration.

>> That's correct.

>> Okay, great. Thanks.

>> To clarify, the Dea is fags out their collection program because they loosened rules to make it easier for pharmacies and others to collect these on is on ongoing basis. So you don't need a police officer, Dea agent there on-site to collect this stuff. So there's opportunity for greater collections. It's going to need some policy leadership for sure.

>> Mayor.

>> Mayor Adler: Yes, Ms. Houston.

>> Houston: Was that an excellent program, and I'm sorry to hear it's being phased out because although we talk about millennials, there are a lot of the tsunami generation that are still here. As they age in place with so much medication that they get, then they need to get rid of some and they get confused. And so this was a wonderful way in the communities where people could drive in, drop off all the excess medication and then go home with just what they need in their medicine cabinet. So I'm very distressed to hear that we're facing that out.

>> I will say as that phases out, we are looking for a replacement program and talking to some electricalers on that level. Retailers on that level.

[11:06:06 AM]

>> Houston: Thank you.

>> Mayor Adler: Ms. Tovo.

>> Tovo: So councilmember Zimmerman had put a suggestion on the message board I hope we have a chance to talk about, and that was having a household hazardous waste day once a month in each council district. I know you spoke to want -- it being a goal of the department to make sure there are other facilities, but I would just ask if you had a few words you wanted to say about that suggestion and whether -- what -- if you've given it any thought and the estimation of costs.

>> I know it's an excellent answer to the customer service issue of access to the athw program. The

suggestion on the table is one Saturday a month being dedicated to being in one district throughout the city and rotating through ten districts. There is a cost factor. I'm working on a cost benefit ratio on that issue right there. There is cost of setup and disposal of the collected material. However, the benefit is increased public participation and collection of that material as well too. So I hope to have a packaged proposal in response to that suggestion pretty soon.

>> Tovo: Thanks for the response and thanks, councilmember Zimmerman, for the suggestion.

>> Mayor Adler: Okay. Adam Gregory.

>> Good morning, mayor, councilmembers, thank you for the opportunity to be here today. I'm Adam Gregory with Texas disposal systems. As you get your handout I wanted to talk a little about your handout and main address some of the questions the package has been talking about. Tds allocal company, we were founded in answer, Texas, in 1977 by my father, and my uncle. At the time it was the two of them and one truck and today we have over 700 employees. As a company we're dedicated to the development of affordable and economically sustainable resource management systems with the purpose of maximizing the diversion of discarded materials, to resues recycling, to composing for the purpose of creating jobs and achieving environmental sustainability.

[11:08:24 AM]

We've been dedicated to this since day one. In an effort to fulfill our roll as stewards. We're not mode visited by guilt or fear. It's a joyful acceptance of our stewardship role. That's why we do what we do. In 1990 we received the first permit for integrated landfill and composing facility. We opened in 1991. That facility in southeast Travis county, we are a landfill operator. We also have 107,000 square foot material recovery facility that receives 40% of the material collected by the city's collection program and our landfill currently SAPs 100% of the material collected by the city's collection program. We have an organics processing composing facility, citizens dropoff and resale center the chronicle has called the city's best.

[Lapse in audio]

>> We have seven gardenville from Georgetown to Victoria that is a retail outlet for the organic products we manufacture and we have an exotic game ranch and public event facility available on invitation basis. We're a proud partner of the city. We have yard trimmings contract, processing contract which has been in effect since 2000. We have a 20-year master recycling contract. We do the election of waste and LE cycling for the central business district so the allies downtown we provide that service. We also have contracts with the convention never, palmer event center and long center for performing arts. We also provide the recycling, composing and the waste services to aisd and also nine other central Texas school districts.

[11:10:32 AM]

As far as how do we get to zero waste, the main question I think we're talking about, I think it's.

[Buzzer sounds]

>> Very briefly it's more about the journey than the destination. And I think you get there the same way you get to Carnegie hall, you practice. We practiced and we change minds. I think a lot of our success depends on the individual mindset of our citizens and that's something you can force to change. If we try and force that, we could have a pendulum shift, which would be the detriment of all of our programs. So I'm here to answer any questions. Thank you.

>> Mayor Adler: Mr. Zimmerman.

>> Zimmerman: Could you talk a little more about your last remark. That's my concern as well. One we start penalizing people more and start making it harder and harder to get rid of unwanted materials, I

think we're going to see a rise in illegal dumping. Only common sense, right? If you make it prohibitively expensive for people to get rid of stuff they're going to start illegally dumping it more.

>> Absolutely. All of these programs have to be economically sustainable. I say this a lot. You can't have environmental sustainability without economic sustainability and you can't achieve economic sustainability just by soaking the rate payers. Like you said, there's -- there are landfills that simply put the material in the hole and cover it up. That's one model. When you're dedicated to absolutely maximize your profit, that might be the most logical thing to do. I think as for -- speaking for my business and I think most businesses should be run this way, profit should be a requirement for you to achieve your mission, not the maximizing a profit, the goal -- excuse me, in and of itself. So we insist on being profitable in our operations. However, we do work to move that tipping point of what is affordable and what is economically establishable and that's a process.

[11:12:34 AM]

>> Mayor Adler: Do you think the city of Austin resource recovery ordinances are economically sustainable? For businesses?

>> I think the ordinances and programs are working in an effort to get to that point. Certainly we could do diversion that is not economically sustainable if we said we're going to be at 90% today, it would cost more than the value would you get out of that. I think what we're trying to do is create an environment where we can get to that point, where the economies of scale have developed, technology has developed, and we need to apply pressure on folks without being heavy handed or draconian in our efforts to force this out of people. But pressure plus time equals movement. I think we can move people in a gradual way to where we do have sustainable programs. But that is a tipping point, certainly.

>> Mayor Adler: Do you think doyou think that where we are is sustainable, the path we're on is the right path.

>> I think the path we're on is the right path. I think we have a very good -- very good assets in this community, as far as the private service community, in that we're bought in, the vast majority of us. [Lapse in audio] A lot of us are. Participating industry. You have a lot of help with us. We think the private industry is the best tool you've got for achieving it. And, also, the open market competition we have amongst so many different service providers is counter balanced to keep those prices down. Our customers are not beholden to us. We're beholden to them. So we compete for customers, but we also try and move the tipping point of what is currently economically sustainable, as far as diverting things on a ton per ton basis and we think we're on the right track to do that.

[11:14:37 AM]

There's certainly some lessons to be learned in the future, and lessons to be learned from the past. I think it would be more of a question of tweaks to what we're doing than a wholesale change of course.

>> Mayor Adler: Thank you. Ms. Gallo.

>> Gallo: Thank you for your comments and what you passed out. I want to applaud the business model you developed. I hope all the councilmembers have been out to their facility. If not, I really do encourage you to go because you have to really, really look for the fact that it is a dump. It's handled from an aesthetic standpoint really well and your commitment to the community involvement and allowing nonprofits to use the facility for their fund-raising I think is just -- it makes it a really good public private partnership. So thank you. Thank you for what you're doing.

>> Thank you very much. We're very proud of it, and we will be inviting each you to come and visit us and we look forward to further intrusion our company to you and our service record and our capabilities.

>> Mayor Adler: Thank you very much.

>> Thank you.

>> Mayor Adler: Rebecca such and then skeeter Miller.

>> Hi, thank you for allowing me to talk today and present information about reuse in answer. I am rebeck Ta S. I'm the founder and board president of answer creative reuse. Which fosters conservation and creativity through repurposing and reusing materials. And I'm also the chapter coordinator for the Texas reuse alliance, which is a new organization in Texas, bringing together various reuse organizations to help network, share ideas, help build the reuse community here. And when I talk about reuse, just to give you an idea, I know it's just a very small piece in the pie chart clearly they showed, but adaptive reuse, so ACC, the great renovation they did to highland mall is a really prime example of a great adaptive reuse situation, collaborative consumption, free cycling, the bulk pickup is a really great example of reuse in a way that the community.

[11:17:01 AM]

[Lapse in audio]

>> Materials exchanges, whether the answer marketplace now online that allows businesses to exchange materials I know I know one of the things that ants creative use is talking to them about an organization that pulls apart clothing and do send the cloth forages but they pull off buttons and zippers and right now those would normally go into the trash but it would be a applies for Austin creative reuse will allow us to get buttons and zippers to people who can use those in their efforts. Repairing shops but also this new idea of how do we fix the things that we own instead of buying new, fix it cafes are showing up all over the U.S. Something that's really could be used here in Austin, sharing economy, all the sharing things, whether it's bike share, car shares. We're also swapping so how can I -- whether it's on a any idea list serve where you post out, how, I have this TV I no longer use or I have this book that you want, I think recycled reads is another reuse facility that if you don't have a book or the Austin libraries have books they no longer need or can get out to the community. Some other good stuff that's happening in Austin, we had the reuse connects here last October, which brought the reuse organizations from Austin as well as others from around the U.S. And the world together to network and talk about best practices and opportunities. We have the dumper project I think is another really great example of education going on in the communities, where the professor at Houston lived in a dumpster and is showing people the reuse of that dumpster but also how we look at what we're consuming.

[11:19:04 AM]

We have another great example of reuse was the build a sign, working with blue avocado and a nonprofit to take the vinyl banners that were not -- going nothing the trash or were going in the trash because they were either misprints or bad material, giving them to blue avocado and a nonprofit to help make bags that could be resolved, by making the bags they were teaching people how to sew and be able to build a skill set for their own careers for life. We also re-- reuse is also about creative -- creating the design thinkers of tomorrow. So we have UT materials lab that's showing up to work with different materials, the think in the new museum space, again showing people how to use materials creatively. The Austin tinkering school found a home, they show people how to work with hammers. I think there's a UT professor who said last fall they had a student who had never picked up a hammer and that's, you know, for the future of business development, we need people who know how to make things. The Austin mini make affair is expanded to two years this year, Austin should be opening up a creative reuse center this year, allow people do come in, get materials they need, as well learn how to do things. We will support schools so definitely for all of you for your districts, any schools, after school programs, we

want to be able to supply them with materials and also to collect materials at the end of the year and to either pass it on to other teachers or to bring it back out for the following year to help teachers with materials in the classrooms. Austin -- we need a furniture bank, one of the biggest materials that is out there that just goes to the landfill and instead of knowing how to repair, fix, helping in the community understand that, fix it cafes, more reuse considered in development projects, more structure to support restoring and exchanging materials.

[11:21:11 AM]

The alliance we're working on, south by southwest eco, making sure rice panels are on the schedule, getting reuse into the environmental curriculums like the stuff that keep Austin beautiful is, do as well as ecorice is another great nonprofit. Connecting to sustainability and facilities management employees. That's a great way to get into companies to help the employees understand what reuse is and to maybe help with their waste streams they would like to either get the materials to a materials exchange or Austin creative reuse. Connect with neighborhood associations I think is a great way to spread the word about reuse, whether it's having reuse rodeos, where you bring together all these different organizations part of reuse and community, citizens of Austin can go to one place rather than all of the places and, again, as I said opening Austin creative reuse. Support from the city, just continue to support the reuse day, October 20, last two years the city has done a proclamation we've been very thankful for. It allows us to really bring the communication about reuse to a specific week. Help us to continue to build efforts in awareness. Just for all of you as individuals to come to a reuse event. There's -- we have craft nights for Austin creative use. There's the workshops that the thinkery, the maker fair, great places to see where people are -- what people are making and doing and so share about your own friends and family what you're doing in your home.

>> Mayor Adler: Thank you very much. Ms. Tovo. 5.

>> Tovo: Quick question, great overview and really an interesting one. I have a question for you about whether you're working with any of our thrift stores near in Austin. I think Austin is blessed to have such a network of thrift stores but they cede seem to have different attitudes doctored safely their items.

[11:23:13 AM]

I learned that after bringing items to one that I then learned was really just budget them -- putting certain items like toys, for example, in a dumpster in the back. So are you working with any thrift stores or doing any kind of education or do you know of organizations that are educating the public about, you know, if you're concerned about make sure that the items your family is no longer using get in the hands of others, there are choices you can make about which thrift stores to take them to?

>> Yes. We -- so the reuse alliance of Texas, the chapter includes goodwill of Austin and also treasure city thrifts, two different large and a smaller organization, and part of the reuse alliance mission will be to connect to those people and even understand that they're part of a reuse sector and we can share best practices and help each other. And then definitely educating people about where material is going, not just when they reach the store but afterwards, how do we all, again, work together because maybe your store isn't selling all that's needed or able to use all that's there and how can we maybe get that to another part of town. I do think there's definitely been a growth in thrift stores and are areas for to us work together.

>> Tovo: I appreciate that. I'm particularly concerned about toys because I know when that law changed a few years ago, I think some used toy dealers and others interpreted that to mean they shouldn't be selling them, and that's created a lot of -- from what I can tell certain thrift store chains in town putting them into the dumpster rather than reselling them.

>> I will check on that. Two organizations, company called toybrary, actually check out toys so people can check them out and bring them back rather than having to buy something new all the time and then the stuffed animal rescue, which is a lovely woman who actually repairs and cleans up stuffed animals and does a event where you can adopt the animal.

[11:25:22 AM]

So I think there's some fun ways, but I will add that to my list.

>> Tovo: Great. Thank you.

>> Mayor Adler: Thank you.

>> I'd like to add to the list of place that's received toys and stuffed animals and clothing are -- and not for resale but for donations are safe place and the blue and the brown Santa at the end of the year and I think some of the other organization that's our law enforcement partners support throughout the year, where they have kids exchange. Also take them toys and stuffed animals and so forth. So there's a lot going on, and there's a lot of ways we can reuse and repurpose all of the things in our house that we no longer have.

[Lapse in audio]

>> I applaud the work everyone on this panel is doing in particular. You guys are doing a lot of work that sometimes isn't noticed. It's nice to have a clean environment but you have to have seen what it looked like before it was cleaned up to know just exactly how important it is that the community as a whole is working on this and with leadership the folks like you, it makes a big difference to Austin. I really appreciate y'all.

>> Mayor Adler: Thank you. Our last speaker is skeeter Miller. You have three men's.

>> Honor mayor, councilmembers, I am the owner of the county alliance restaurants and have been celebrating this year our 40th year in business. We have over 1,000 employees, and I'm proud to say that our average management tenure is 27 years. So we're good stewards of our employees and city. I am also president of the greater Austin restaurant association and have been for the last three years and probably will be forever.

[Laughter]

>> We were asked to be a part of a pilot program.

[11:27:22 AM]

There were 14 restaurants that were associated with that, with the -- with bob geddert and the resource recovery. My hope in doing it was not to figure out how it won't work, it was to figure out how it will work. So I created a booklet which I gave to the commission, called let's talk trash in a good way. And I literally every piece of work that we did, every cost that was involved, everything my employees had to do was put into this booklet. And what we found out was, yes, there is a cost of this program. But is it the right thing to do? Yes, it is. The initial cost was about \$5,000 to get the containers, get the area, you know, set up to be able to collect. And then the cost for hauling was an additional \$5,000 a year. Those may not seem like large Numbers but for a business owner that is a big number. And so my big part was is education was not with my employees. My employees got it. They did it and were dedicated to it. It was my customer that was the problem. They have a really hard time finding the right receptacle. So I think education is a big part of this. The biggest problem that I had at the time that we did the pilot was infrastructure. There was not enough haulers in place that could handle the amount of hauling that we needed. Mr. Gregory and his company has done a great job, but he is one company. And there are very few companies in this and I that can bring us a competitive bidding process in order to make it affordable four businesses to compost. We're going to do it. And we've set up the -- the ordinance is set

up to stairstep over years, several years in order to let businesses get into their budget, to be able to compost, to be able to pay for that, and the hope is -- this was brought up by the haulers in a lot of the meetings.

[11:29:27 AM]

The hope is we will have more haulers, a more competitive bidding process. Well, hope is not a strategy in my business. Okay? So -- but I am hoping. And that's what we're looking forward to. To put more pressure on businesses when we have an ordinance in place is just does not seem right to me. So I represent the restaurants. I will make sure they do it. We're coming up with new methods to.

[Buzzer sounds.

>> -- Our products that are more recyclable, the boxes, packaging. We also are working with keep Austin fed for cauterers and other businesses, when you have leftover food rather than it going into the trash that it goes to somebody in need. I'm happy to say that last year that the county line received a national award for providing 86,000 meals to people in need. We're dedicated to it so that's all I have to say.

>> Mayor Adler: Thank you for what you do. Any questions? Mr. Zimmerman.

>> Zimmerman: Think way I can get a copy of your report? I'm interested very much in seeing that.

>> Absolutely P.

>> Zimmerman: Other quick question, I love county line, great place, great job you guys do. Of course you are a very well-established restaurant. And for good reason. Could you speak a little bit -- there's a difference between a restaurant in [indiscernible] Someone trying to get started in the restaurant business and the difficulty of compliance for a new restaurant or a small struggling restaurant compared to a more established one because there is a difference right.

>> Yeah, there's a big difference. If I was to try to start the county line today I probably wouldn't be able to do it. We started the business on \$65,000. You could never start a business on \$65,000. There are a lot of ordinances in place. There's a lot of roadblocks and code compliance and a lot of issues that are roadblocks in starting a new business, especially somebody that has limited resources. That's why, you know, the trailers have really shown that, you know, these people can start on a really small level and then work into a brick and mortar, but it is very tough and expensive.

[11:31:42 AM]

>> Zimmerman: In other words, does the ordinance on recycling here, it's -- it really adds onto an existing heavy burden, especially for new businesses trying to enter the market, correct?

>> Well, the recycling part of it is -- single stream, it makes it really pretty easy. People are already having to have their trash hauled off and the single stream really helped out and it did not necessarily increase my cost, okay? So I don't think that that's a burden. I think that the burden came into play when you add the composting part, is how are we going to do it? The cost of doing it. The space needed to be able to do it. In my restaurant alone -- and I have more space than most, one parking space costs me \$21,000 in business a year. That's an issue when it comes to a business. So I hope I answered your question.

>> Zimmerman: Thank you.

>> Mayor Adler: Thank you very much.

>> Thank you.

>> Mayor Adler: Mr. Geddert, when you began, you talked about the five-yearout for the composting and you alluded to you thought people would challenge the five years as taking too long. Didn't quite hear that. But in regulation relation to that, my understanding is one of the reasons there's a five-year rollout is may not be required by state law and therefore the staple funding streams aren't available to be able

to support that exercise. Is there something here we should be asking senator Watson to be doing this session up there now so as to increase the funding opportunities for the city?

>> Good question. And I think the immediate reaction I have is the state requirements on trash collection. Economically, if we can collect food waste weekly, that's what they -- what is called protrucables in the waste stream and the state law in effect since the 1920s is the requirement of trash collection weekly broadcast of the protrucables.

[11:33:49 AM]

If we can them them out through food waste collection we'd like state authority to collect trash one every two weeks. I can do a swapout at cost neutral if we collected recyclables weekly and trash biweekly as opposed to to the current system. So from a cost perspective, I seek the authority to collect trash every other week after we reach the confidence level of the citizens that we're taking the producibles out of the trash stream. So it is down the road and it it does take a lot of public participation to get to path.

>> Mayor Adler: Okay. Yes?

>> I just want to quickly answer.

[Lapse in audio]

>> -- Smaller districts since 2005 put forward a comprehensive look of how materials as well as waste is generated and utilized in the state. I think that's something that our group is hoping the state will take on and would certainly look for the city not only Austin but many municipalities are looking to the state for a more comprehensive, again, plan. It's incumbent on municipalities to provide this waste service but, again, we can't do it alone. And it is going to take the state as a whole to provide those incentives for additional markets so that we can get more materials into the marketplace for raw materials. We're going to need some education on a state level.

[11:35:51 AM]

Infrastructure development. Such that needs so that these materials can flow to the markets there and, again, we can get additional markets necessary here domestically and more specifically in Texas so that that flow can be, you know, complete. That will lower the costs of transportation of these materials, increase the value of these materials, and so that plan is the baseline I think for moving forward as a state.

>> Mayor Adler: Thank you very much. Any last comments from the pa panel?

>> I'll just say -- thanks, first off for having us here today. Two things real quick. Or three. One is that, you know, we would like to see a faster time line than the five years. We think three years is doable. You can't do it immediately. You do have rampup costs that are significant. And processing needs to be there on the back end. Number two is that there are -- we share the concerns about construction demolition, debris markets right now in central Texas. Especially here in Austin. There was an idea that came out of discussions last week that we had with bob here that maybe there should be a construction demolition summit, recycling supplement, where we would have all the institutional builders, city, county, school district, UT, the state, have their procurement people, have their facilities people, have code people here from Austin, economic development people from all those folks in the same room at the same time so we can talk about how do we make sure that we have the markets for this. Because if we order it to be diverted and there's nowhere for it to go we're going to end up with stockpiles that's not good for anybody. The last thing I'd say is we are -- we would be very concerned about any diversion into energy markets, so-called. We don't want landfills in the skies in central Texas or anywhere in Texas.

[11:37:54 AM]

We don't want -- incineration is a worst option than landfilling. Worse off economically and environmentally and it ends the wrong message. So that is something we will oppose vehemently but we believe it can be done otherwise. So thank you.

>> Mayor Adler: That's not the same as landfill gas?

>> No no. I mean, if you get real technical here, the short answer is no.

>> Mayor Adler: Okay. Was there a speaker? Someone wanted to speak over here? Ms. Gallo and then Mr. Zimmerman.

>> Gallo: We talked about composting in restaurants in restaurants but I didn't hear anyone address grocery stores. It seems like grocery stores throw away a huge amount of food that is deemed non-saleable. One of the things that I read about was trader Joe's idea what they do, I believe, in -- somewhere other than here where those items are sent to not a resale facility, but somewhere elsewhere they're marked down substantially. I just wonder, is the food discarding policy of grocery stores part of the dialogue anywhere?

>> Yes. There's a voluntary effort by major retailers, atb, randals, big box grocery stores are experimenting are food capture at the early part, the discards that may be available for human consumption, and working with the food pantrity. There's a.

[Lapse in audio]

>> There's also food waste that's commercial composters for the proper handling and composting of that material as opposed to sending it to the landfill. That's working out in spite of any conversations on the universal recycling and composting ordinances and they're at the table talking about their programs as well too.

[11:40:01 AM]

>> Mayor Adler: Okay.

>> The HEB has been a great leader on this already. They supported the universal recycling because they're doing what it requires. I think it goes to the -- like the reason why there's such broad consensus on zero waste is it is good for business bottom lines. That's where a company like Wal-Mart, not necessarily committed to zero waste, right? Because they know it benefits their bottom line. While they had to do initial investments to make it work in the long run they're saving lots of money and making lots of money off of it. We can do the same thing.

[Lapse in audio]

>> Mayor Adler: Mr. Zimmerman, Mr. Renteria.

>> Zimmerman: Thanks. Mr. Dobbs mentioned something that really caught my attention in the context of the vital mass plant. I did a quick Google search and hoping to find Texas -- Texas committees for the environment in opposition to the biomass plant. Did I miss that?

>> We're opposed to it, absolutely. But I was not working for them at the time. I think it snuck up on a lot of people. That's one of the reasons why individually we were very supportive of changes in the way we elect our council.

>> Zimmerman: I would love to see you guys get back after it. Not only -- it's a huge waste of money, it's a boondoggle, among other things, so I would be thrilled if you could get involved and help us knock that out.

>> Let's talk about it.

>> Zimmerman: Okay.

>> Mayor Adler: Mr. Renteria.

>> Renteria: Simple question. I see people just put their lunch boxes into a trash can. Do you have

someone down there just separating that?

>> Are you speaking to city hall here?

>> Renteria: Yes.

>> We have a contract for disposal which includes recycling at many city buildings and and I hall is participating in that. We have recycling containers around the different floors.

[11:42:02 AM]

We are currently trying to assess the recycling activity at each of the buildings and city hall is not doing very well.

>> Renteria: I didn't think so.

>> We need better signage, better communications. We're not recycling as well as city hall as we can be.

>> Renteria: I believe that because I look at those cans and I say my god they're throwing cardboard with food, not separating anything. When I was running my campaign my workers were doing the same thing. I told them, listen, I'm not going to feed you, I'm going to make sure that we don't even have food in there if y'all don't learn how to recycle. You know?

>> I would say our challenge is the rotation of visitors to this building on a daily basis.

>> Renteria: In our city, I've seen it in our area up there where the city council office and it's fool of food and cardboard all mixed in.

>> So give you a counter example, our expense center, convention center, palmer event center, they bid out their recycling at 70% diversion level. That's a star player there. I would also say that Austin public library is very proactive in diversion and recycle reads had their sixth anniversary on Saturday on Burnett road. So there are star players out there. We are looking at the weak points within the city government system.

>> Renteria: I think the education part should start here at city hall.

>> Mayor Adler: Ms. Garza and Ms. Kitchen.

>> Garza: We're having our policy discussion subcommittee I want to make a general comment here. While I'm interested in the cost benefit analysis in dollars, we can't -- I won't necessarily base my decision on that. I mean, there's value in things that you can't put a dollar and cent value to. The previous counsel put value in these ordinances that we've set in place because of things like do we want our kids growing up in a world there's a million dumps everywhere.

[11:44:10 AM]

If we have to continue building dumps because we just have this idea to throw stuff away, guess where those dumps go? The dump that is -- I mean, being remediated is in district 2, and we're going to continue, if -- if we have to continue building these dumps they're going in districts one, 2, 3. So I appreciate your comments, and each of us -- each of us on this council has the opportunity to pursue policy that we believe in, that we believe in is right for our district, and that might be different for every district. I know for me, you can't assess value to certain things and it's important that we -- we think about the future and we think about how these affect our future generations.

>> Mayor Adler: Panel, thank you very much, and other voices for speaking with us today. It was a good panel. Appreciate it. Applauds.

>> Mayor Adler: Council, we are set to begin at 12:30, which is in 45 minutes for Austin energy. I'd urge everybody to get here real lows to 12:30. If you look at the schedule, this one on Austin energy is overloaded with people. We'll try hard to keep people to the times, five minutes and ten-minute opening or else this one this afternoon will go on forever. Ms. Houston.

>> Houston: Mayor, I had on my schedule that we were supposed to take a picture this morning. Did

that get erased?

>> Mayor Adler: I didn't have it on my schedule. It says tomorrow. All right.

>> Houston: You will see me in the same clothes tomorrow.

[Laughter]

>> Mr. Mayor, is it -- so is tomorrow before the -- so the work session will start later then?

>> Mayor Adler: It will start right after the picture.

[11:46:10 AM]

>> Okay.

>> Mayor Adler: We stand in recess until 12:30.

[City council in recess]

[12:31:07 PM]

da leal Sha lab.

[12:38:18 PM]

>> Tovo: Okay. Are we about ready to get started. Mayor Adler going to be a few minutes late, but it is after our start time, so if our presenters are ready, I'd like to get started. Thank you all for being here.

Mr. Weis, the general manager of Austin energy is here to start off presentation. We'll take about 10 minutes for staff presentation and move to our speakers from here. Again, thank you all for being here.

>> Thank you, mayor pro tem. We look forward to our discussion today. I have a few slides I want to go through. I want to set the stage about public power, Austin energy, and put it into context and a little history included. I'm Larry Weis, general manager for Austin energy. I'm been here since the fall of 2010. I will say since I came to Austin energy we had some pretty significant issues, one of which was we needed to raise some revenue and we'll talk probably more about that later down the road in council committees and so forth in our work. I've been here since September of 2010. Understanding public power. This is really fundamental. Sometimes don't spend enough time talking about this and some of our history. We're a consumer-focused utility. Our ratepayers ultimately are the people we serve, and the shareholders is the city and its ratepayers. So the in contrast to a private utility that's sort of the business environment. There are over 2,000 publicly owned utilities in the United States, most of them owned by a city.

[12:40:18 PM]

Some 70 towns and cities in Texas own their own utility. They're as small as Cuero or Lockhart, some larger like Lubbock, but the Texas power association represents those customers. And of those utilities, a lot of them are served by LCRA. It's a wholesale provider to the smaller ones in the electric cooperatives. LCRA is the state agency, as you know, and Austin energy we partner with them on generation of transmission. One of the unique parts of Texas is that Austin and San Antonio are the third and second largest municipally owned utilities in the United States, electric utilities. Los Angeles is the largest. Los Angeles department of water and power. Our collective organization is the American public power association. I would urge to you check out their website sometime, it's developed for policymakers as well as the staff and operations side of the utility. We have a peer group nationally. It's called the large public power council. San Antonio is a member, LA is a member.

[Lapse in audio]. ... And other exercises, this is a really important part of our work. And we do work very

closely across the country nationally -- across the country. And then 75% of the United States is served by private entities. 25% is public. Those consist of cooperatives, municipally coned utilities like ourselves and other public power organizations. To give you a perspective as well, here's the 20 largest cities going across right to left and down in the United States. Of the top 25 have their own electric utility that those cities own. Our closest utility is Jacksonville. Jacksonville is very close to the same size. Jacksonville electric authority serves Jacksonville and they're very close to the same size as Austin energy.

[12:42:25 PM]

A little histories about Austin energy to put this into context and while I do I should say that a lot of cities had a lot of their own utilities back at the turn of the century, but they sold them. They sold them to -- for a lot of different reasons. But the city of Austin did not sell theirs. In fact, it created a charter that says if you want to sell it you have to get a vote of the people. So that may come out down the road as you look into some of the history. But by 1963 Austin energy had been created as a name and a department of the city and it had additional generation on top of the early hydro in the early years to have 100,000 customers by 1963. In 1980 to 1990 that came on the heels of the oil embargo in the '70's. And they became partners after that in coal and nuclear and now serve 200,000 customers. And federal laws created energy audits and conservation programs on the heels of that and with the Carter administration coming into power they actually created laws that required a utility the size of Austin energy to do Austin energy audits. So in the early '80's that is how we got into the business of providing energy audits and energy efficiency. It was really a federal law that created it. And then it became part of the business of operating an electric utility is to do the most cost effective industry efficiency you can first and to try to help preserve and conserve energy in the United States. A little contemporary history for Austin energy, by 1995, from 95 to 2015 Austin energy under the leadership of a variety of individuals from the general manager on down started developing in early investments in wind and solar, and in 1995 wholesale power trades were deregulated and Austin energy started serving about 300,000 customers in 1995.

[12:44:30 PM]

In 2000 to 2010, this was a wholesale change to the way we do to the way we do business in Texas. In 2000 the electric reliability council of Texas, ERCOT -- you will see us use the word ERCOT a lot -- region deregulated private utilities, the public power utilities like Austin energy were exempted and the -- [lapse in audio]. The California energy crisis -- in 2000, 2010 the energy market goes to a nodal design. It's complicated. It's a fundamental shift in how we operate our power plants and how we buy power. During that time Austin energy also dealt out our newest generation facility, which is our sand hill combined cycle energy facility out by the airport. In 2007 to 2014 the end of an era with the holly power plant closed and decommissioned. In 2010 the financial position of Austin energy deteriorated due to higher rising costs and no rate increases for 16 years. Frankly our reserves were exhausted. So in 2012 with a lot of courage from everyone, including the city council, we went through a long process to revise and change our electric rate structure and also an increase to build the additional revenues back into the utility and more importantly the reserves. And at that time in 2012 we were serving about 410,000 customers. And just in that period of time you can see how much we've grown. We're up to 440,000 customers plus at this moment. A little bit of the lay of the land across north America, the electric grid in North America is the largest machine man has ever built. Particularly western system. That which is all connected to the others, but they are -- function independently at a steady state of physics of how we operate electric grids.

[12:46:32 PM]

But I want to point out that ERCOT is unique in that it is the only one of these reliability regions that has its own market. The other regions that you look up there they have different markets inside their reliability region and you can go and read all about it on narc.com and there's a lot of information about how we operate those grids and the reliability at a North American level interconnected. So how is it done? Well, here's the simple pictograph or picture of, artist's rendering of how we used to do it. How we used to do it is there are some power plants in the background and we had the wires coming out and we had the substations that went to the buildings we serve and customers that we serve.

[Lapse in audio]. And that's how we did it. That's not how it's operated today. Texas is a grid, ERCOT. And we take our generation and we dispatch it or sell it into the grid and then the energy that we take back for our customers comes off the grid. So it's a very simple way to say it or show it, but this is in fact changed the very fundamentals of how we operate things. So when you hear efficiency to reduce the need for a future power plant it really doesn't work quite that way anymore like it used to. The way that it worked today is what we're doing is we're using that energy -- energy efficiency to purchase the cheapest power first for customers than we buy on the market. So it's a different way of thinking about it and we stand by it it down the road to educate you fully on how this all works. So this is a really high level.

[12:48:36 PM]

There we go. So this is a busy slide. I apologize, but there's a lot of information on there. In the upper right what you're seeing is the type of generation that we have and the different locations across the state of Texas. There's two sites on here. There's one site that you show up here. I can't show you the latest site, while it is up there, it says West Texas solar project, 150 megawatts, the exact physical location of that site is to remain undisclosed until the developer wants to disclose it. And that's the new solar project up in the very top in the panhandle is our new wind project, 300 megawatts. All the other projects are operating today and you can see how they're dispersed across the state. Some information sources that are very important for you going forward. First of all, we have a very robust website. And you can find almost everything about Austin Energy in our various reports and what's happening at the moment, even our current MIX of energy is on there right now, how much renewable. So our -- renewable, so our website has been continually changing and evolving to have a lot of information that all the stakeholders has wanted. So it's in there. And our council committee meetings, of course, is a place we'll be delivering a lot of the information. Those meetings are not new. We started those meetings last year. [Lapse in audio]. We dive deeper into some of our issues. Also, we provide a quarterly report that is delivered -- it's published and that quarterly report also is a useful piece of information. Our benchmarking that we do with the peer utilities I mentioned at the top of these slides, that benchmarking we do regularly and we do compare ourselves with other utilities across the country to make sure that we're operating between the proper metrics that we should be.

[12:50:51 PM]

The American public power association has a large directory and it is a very good source of comparative data across the industry. And all those 2,000 utilities I mentioned before, I think there's thousands, some municipal ones are in that directory. So you can see state by state and a variety of -- you can also do a comparative analysis between Austin Energy and other utilities.

[Lapse in audio]. I should say you have in your places a handout from Austin Energy. I hope it's there. And inside that handout there is a map that looks like this. And I didn't want to put this up on the slide,

but this has this same service area map, but it is split up by council districts. So you can see what part of Austin energy's service area is in your district and which one is not. But the important part to understand with Austin energy is that lighter color up there, the yellow or mustard color up there is the part of the service area that we serve that's outside the city limits of Austin. I might also point out that there are parts of city of Austin that we do not serve such as the southwest part of service area down around circle C. Why is that? In 1977 the state of Texas passed laws which set the service area of electric tempts so there wasn't boundary disputes and all that. So we neighbor with encore to the north, with bluebonnet to the west -- to the east and pedernales check to the west. To name the primary ones. So those utilities are right on our border. We also serve more than the city of Austin.

[12:52:52 PM]

The city of bee caves, all of those ones that are listed up there. Some of them very, very small, but they also think of themselves as a city and they have they're operating characteristics and they have their city councils and they have their needs. And so we're making sure that we always address all of our customers, including those cities other than the city of Austin, which is always growing, some of these cities are growing very quickly, lakeway in particular. Let's do a little bit of business overview. We're 1.4 billion enterprise fund budget of the city of Austin. And it's about one-third of the city budget. \$105 million is transferred to the general fund. And then there are about 50 million in shared city services based on approved calculations. We have about 1673 full time employees and 775 employees that we contract with. You might want to know what those contract employees are about. Well, it's -- it's applicanted. I won't go -- it's complicated, I won't go into it now. We have them in I.T. And construction and a lot of different areas that makes business sense for us to have them in those areas. So it's important to understand that. And we can answer those questions later. We operate, manage and administer the entire billing system for the city and we manage and operate 311. So -- and we charge other departments for their use to Austin energy is reimbursed on those. Here's another way of looking at our budget graphically. Out of that 1.44 billion, those pieces on the lower left, and the part that we can control is the operation and maintenance part of the budget, which is 323 million.

[12:55:01 PM]

So if you take that piece off to the right that's split into the three categories. We have personnel, 148 million. 152 million in contractuals and the commodities that are up there. The contractuals are in a variety of professional services and everything from folks that work on our powerpoint plant to a variety of things. So there's a lot of detail to it. In a nutshell that's where our budget kind of breaks up. Some challenges. I was told there would be some challenges. There are even more than I thought, which makes your day go fast and if you're creative and innovative like I try to be and I've been in this business a few years. It was a lot of fun and challenging work. And we're still doing it right now. The first thing we have is we have some very ambitious goals. And Austin energy again back to the beginning I talk about our peer group across the country, and American public power organization or Ippc, I think if you went up to those groups and you said which one of the utilities that are a member of your organization are very innovative and way out there. And Austin energy definitely would be one of the utilities that comes up on the list without a doubt. We've been a national leader in many operational and program areas and our climate protection plan, which was approved by council in 2007, is the cornerstone of these ambitious goals and programs. We're a forum for state and national for big issues. Serving the state capitol as we do and major universities creates an active and engaged ratepayer audience. Lobbyists, attorneys, environmental groups and other organizations headquartered in Austin many times are involved in our forums to advance statewide national, global energy and environmental agendas.

[12:57:04 PM]

However, I might also say that we're the benefactors of this great intelligence that this community has and we engage and innovate and do a lot of synergy around a lot of those. Austin energy is the sponsor of the Austin technology incubator, I could go on, the Austin utility project and a lot of things going on around our utility and around this area. Our staff challenges, we have staff challenges in process, stakeholders bring in proposals that may come to you before they come to us. We have a lot of challenges on understanding how the power market has changed and how it works. It's complicated. And lots of times we like to be there in front of -- in front so that we can be -- provide some education into it, but it's not always the way it works. Lots of times what we're finding is we need to come in to kind of clarify lots of times how things are working, particularly in our financial arena. The fact staff has been unable to communicate sometimes the rate impacts and challenges that we have there. One of the more interesting things that we do and the challenges and arenas is our international efforts. We're sponsors of many clean initiatives. We're working with utilities currently in the Netherlands to work with a lot of microgrid and smart grid projects and we're doing R and D all the time to look at being a more productive utility without raising rates. So here's our mission. To be clean, affordable, reliable and have excellent customers. Lap L [lapse in audio]. We're building our portfolio.

[12:59:07 PM]

We'll get into that at the first council committee meeting. I'm planning on addressing affordability at that meeting and excellent customer service. Year to year you kind of at a corporate level have a focus. Excellent customer service is the focus that I've handed down to the executive team this year as we put a new billing system in place and we've had issues with building as do you that, as that happens with new systems. We have made that an emphasis for this coming year to really focus on our customer service. We have to balance this reliable utility that we have with all the other things we want to do. We have to be viable -- excuse me. We have to have financial viability and we have to really watch these metrics that we have. We borrow money on the market and it's really important that we have a strong credit rating. At the same time on the other side we have all of these challenges, the challenges of clean Austin energy, the challenges of all of our customer service programs that we have. Some business issues coming before you this year, and if there's some on here that we miss, I apologize. But this is just a real short high level kind of look where I think we're going in 2016, some policy issues that really need to come before council. I won't list them all out but on the financial side, one of the more important ones I look at up there is what are we going to do with new large customer contracts, what are we going to do about the affordability definition? And our reserves policy, among the others. We have a reecharge management and deferred payment arrangements that as a policy of council we probably need do revisit that real soon. We have some facilities issues. We lease space, we had a plan last year to get out of leased space. We brought that to council and pulled it back. We need to revisit our facilities issues.

[1:01:08 PM]

We have a resource plan that I'm sure you've probably heard about from stakeholders. We have a solar request for proposals that will be out to meet the current resource plan that was approved by council. And we have preliminary combined cycle gas turbine financial and engineering studies we must do if we're going to continue on this resource plan. So we've always expected this council would want to pick up the resource plan again and make sure that it's yours. And so we need to be planning on how we're going to accomplish that. The climate protection plan compliance and cost impacts, those aren't just

local. Those are federal. There's new EPA laws that have come down and Texas is still trying to figure out how we get through that. In fact the entire country is with the Obama administration. So the environmental protection agency rule 111d is a big part of that and that's going to effect the coal, power industry in a big way in North America, the United States so that's an issue. Community benefits charges and policies, we have line items on our bills, and those are direct adjustments onto the disability we need to take a look at whether we're going to have those head in the next not only policies but also in the budget process. So I'm about to wrap up, and the benefits of having a reliable publicly owned utility are vast. And but, first of all, it's our customers, the values of our community, and the world we live in. And so with that, I'll wrap up on my longer than ten-minute introductory remarks. So . . .

>> Mayor Adler: I'll point out to the council that in about a month we have our first Austin energy meeting so we'll have a full day where we can do the deep dive under the chair's direction.

[1:03:08 PM]

We have a lot of speakers speaking here now. So we'll go ahead then to the first speaker unless someone directs otherwise. Mr. Weiss, Mr. Zimmerman.

>> Zimmerman: Thank you, Mr. Weiss. Congratulations you're the first one to put a bullet point in the slide about cost, something related to cost benefit ratio so I just wanted to say congratulations so thank you for bringing that up.

>> Mayor Adler: Okay. Please listen, Mr. Weiss, you'll get an opportunity later in the program to talk, and as we talk through, if you hear something on the panel, any of you, that you think you should comment on, you have the ability to participate as well. Our first speaker, can we meet austinite's energy needs in an environmental and affordable way, Philip is S.

>> Thank you very much for the opportunity to be here.

>> Mayor Adler: We're going to set the timer at five minutes and then you'll hear it go off.

>> All right.

>> Mayor Adler: Thank you.

>> We can discuss how to balance affordability and renewable energy goals for a day and would barely scratch it. So in the interests of time I'm going to try to hit three topics and we can go back later. The first topic has to do with the financial reserves of Austin energy. The amount of reserves that Austin energy is supposed to have is set by financial policies established by the city council. So I would recommend that the first questions you ask about Austin energy are, what are the financial policies that prior councils have adopted for Austin energy? Are those policies still good today? Why and why not? And are those policies being followed today? Why and why not? When you go through that [lapse in audio] -- You will see that -- name of the nonnuclear facilities decommissioning reserve, and that reserve account is supposed to hold the money that will be needed when we decommission all your generation facilities other than the nuclear plant.

[1:05:23 PM]

And there are two nonnuclear generation facilities I want to point out in particular. One is the Decker natural gas plant, and the other is the pay yet coal facility both of these assets are over 40 years and near the end of their useful life. The cost to decommission them is he estimated to be \$55 million. However, we have none of the money reserved and ready to use to decommission them. Why is this important for our environmental goals? Both facilities are dirty polluters, both should be shut down. And I support shutting them, advocating that we need to set aside the money to actually decommission them. I'm here to advocate that you set aside that money to do so. What does this have to do with affordability? Well, if we don't even out the cost of decommissioning an asset over the useful life of the

asset, then we're pushing costs down to future ratepayers who will suffer increased rates when the bill finally comes due. The second topic is indirect transfers of money from Austin energy to the city of Austin. There are two types of transfers. One direct and one indirect. Every year, Austin energy's roughly \$100 million to the city of Austin as a sort of dividend. That's a direct transfer and I support that transfer. It makes sense. But there are dozens, if not hundreds of indirect transfers from Austin energy into the city of Austin where Austin energy pays for things that have nothing to do with running a utility. And the problem is we don't know how much of those indirect transfers there are. Some people estimate 39 million, some people estimate \$90 million per year. Examples include easy to find things like Austin energy pays for all the streetlighting or Austin energy pays for the city of Austin's economic development programs.

[1:07:28 PM]

But examples also include harder to assess things like the formulas used to impose costs on natures to reimburse the city for things like the city council as its management body or the maintenance and repair of its fleet. When we ask staff, when I was on the euc to quantify these indirect transfers we never got an answer. And the best answer we got was a staff person telling us anonymously, yes, there's a significant amount of money there, and in each economic downturn of the city of Austin over the decades the screws were tightened slightly more do Austin energy to transfer more cash out of nature Austin energy into the city. Why is that a problem? Well, it's a huge problem for affordability. Electric bills are extremely regressive means to raise money. For the working poor, it's often their second highest monthly expense, and over one half of Austin energy's customers are renters. So I would recommend that for each expense that's being paid by Austin energy, for matters not related to the generation of electricity, you as the policymakers should be asking is it appropriate to be raising the funds for this expense via a regressive tax that affects the working poor and renters in our community the hardest. And the only reliable way, I believe, to quantify these indirect expenses is through an outside audit that examines them for Austin energy. And, finally, solar. We need to get smarter about subsidizing solar. As the price of solar drops, we have to question who historically has received solar subsidies and should they continue to receive them. And I would say that who has received them historically are fluent homeowners of large homes, and why are we spending public dollars do reduce their private utility bills?

[1:09:34 PM]

I would recommend that before we continue to subsidize solar, the solar needs to have a demonstrable other public good such as a solar installation on a school or a nonprofit so we as a community all benefit from the future reduced utility bills. Thank you.

>> Tovo: Thank you very much, Mr. S. Council, with your permission, why don't we move on to our second speaker, Mr. Butler. We have a lot of speakers today so perhaps we could hear from several and then take questions.

>> Thank you, councilmember tovo.

>> Microphone.

>> Thank you, councilmember tovo. I'm waiting for the slide deck. I'm going to jump out and not get into direct issues that Austin energy has so much facing at this very moment or policy issues, I should say but talk about what's happening nationally, internationally with the utility industry. I attended an event on the ERCOT market just last week, and I grabbed this slide from CPS, which is the sister utility in San Antonio. And it basically sums it up pretty well. The utility industry is not scheduled to change. It's already changing. Yesterday was centralized power stations, big thermal plants, transmission systems

and of course we rate based it all. But now there's a lot of other factors to include. We have low wholesale prices. We have cheap natural gas. We have new technologies, smart inverters, distribution system management systems. All of which have advanced and cost reductions have come down to completely flip the traditional utility model on its head. So what does this mean? I'm going to give some examples of what has been occurring internationally and nationally because of this new trend.

[1:11:37 PM]

Starting with international. Germany's largest utility just a few months ago is completely divesting itself from all the centralized power stations and is now going to focus strictly on districted energy and -- Duke Energy, nation's largest utility bought a distributed solar company that puts rooftop solar on residential homes and commercial businesses. They're not trying to fight local solar, they're trying to get in on it: Nrg energy, great example of leadership and innovation. David Crain took over that company when it was in the realms of bankruptcy and is now profitable. Released just this last week, earnings more than doubled in its renewable segment, slightly behind in the wholesale power of its operational assets. Even Idaho, place we wouldn't consider sort of advanced utility, Idaho power is going to have more solar per capita than any state. So what's going on? Well, first it's the actual cost to build a new plant. For the first time, utility scale solar is now below that of what used to be the cheapest, which is natural gas plants. That's a huge shift in the economics of a utility. This is being seen across the state of Texas. It's no longer Austin energy and the cps paving the way with large scale solar. We've had 150 megawatts by Georgetown utilities north of here, 150, south Texas co-op, so on and so on. These are not just utilities. Private companies like Hewlett-Packard and Mars and others in the state and apple are all direct contracting with large scale solar. And that is strictly economics. But what's even more telling about the change of our industry is really in ERCOT, in the wholesale market pricing.

[1:13:41 PM]

Low wholesale prices are the new norm. On this chart here, you can see that the average ERCOT prices for the last four years have hovered around \$30 a megawatt hour. So that's good, right? Low wholesale prices, cheap power for our consumers and businesses. But what's driving these low cost prices? It's low cost gas. You can see the chart on the right, we've got this little line that's going across, you can see that the electricity prices actually follow the price of natural gas. So one would think, well, if we have cheap fuel we should be investing in new gas plants. But the opposite is actually true. This is a chart put out by Nrg and is a good example of why it is absolutely the wrong time to invest in a new gas plant. The simple matter is you need to have a certain amount of revenues from the wholesale market to -- in order to receive your return on investment. I'll go back to this slide, the independent monitor for ERCOT, Potomac Economics, appointed by the Texas legislature recently stated you need about \$80 to \$105 per kW to justify new natural -- in fact revenues were at \$26. Huge gap. For combined cycle unit, same thing. You need about 105 to 135 per kW to get your money back on your gas plant. At 2013 numbers they would have only received \$45. This is why we do not see utilities putting in large scale natural gas plants at this time. Buzzer]

>> Real quick to affordability, this is my last slide. Two years ago in 2013, we projected our Austin energy projected that we would not have any rate increases for 2014 and 2015.

[1:15:49 PM]

But when in fact we actually get to these years we now have scheduled a 2% increase this year and a

scheduled 2% increase next year. Half of that is due to our [indiscernible] Costs but the other half is due to the operational costs of our natural gas plants. I'm not saying this to the critical of the utility. I'm saying the market has changed. And utilities are changing with it to adopt new business models, and it's up to the council and Austin energy to take on the leadership that these critical issues require us to take on.

>> Tovo: Thank you very much, Mr. Butler. I see councilmember Zimmerman has a question and since we have a little grouping here, maybe it's appropriate to have questions for Mr. S. At this time as well if anyone had one.

>> Zimmerman: Thank you, mayor pro tem. Yes, I do. Understood this is a complex subject and we're trying to rush through some concepts but I think there's a very key concept, when you mention return on investment, there's a common sense thing we can quickly understand. The sun has not been shining for the last few days, right?

[Lapse in audio]

>> Zimmerman: They are not producing energy, right? Nighttime, obviously, we have a lot of cloud cover, they're not bringing any return on investment, right? Because they can't produce power. And during those times, what has to make up the power difference would be nuclear or gas or something else. So I think it's completely unfair to be talking about that return on investment. Same with the wind turbines, when the wind velocity decreases, which sometimes it does, I've got this big investment in the turbine, it's not producing a lot of electricity because I don't have a lot of wind. So what's always left out of these discussions when people start talking about how affordable solar and wind is, they leave out the fact that when these renewables are not operating, we have to go to natural gas or nuclear or some other plant where we can get energy on demand.

[1:18:01 PM]

And the converse is also true. When the sun is shining, when the wind is blowing, what do we do with the gas, nuclear and gas plants? We can turn those down. When those are down, when the sun is shining and the wind is blowing, we're turning down the power coming out of nuclear or gas and that makes it look like a bad return on investment, right? Because it's not being able to sell energy, it has energy capacity, but it can't be sold because the renewables are pushing their energy into the grid.

>> I think it's a common misconception, actually. I'm talking about large scale solar in west Texas. You're not going to have the plants all located in the same area where one cloud is going to cover all of west Texas. Number two, just say today, our electricity prices are not high. The wholesale market prices are very low. Why is that? Because the sun is not shining. We're not running our acs at full blast, our electricity prices are low. So it's actually the exact opposite of what you're talking about and it's those low wholesale market prices which actually eliminate or discourage banks like bank clays to make these - - encourage them to -- we knee near term tropic credit from regulators and utilities following behind the solar dupes curve and long-term risk a a comprehensive image of the role utilities play in providing electric power. No one is investing in gas right now because in reality they're not getting a return on their investment but they are building solar plants.

>> Zimmerman: We'll talk more about that later. If we wanted to simplify it and just talk about peak demand, right, our big problem, summertime, as you mentioned when the air conditioners are going, I need to remind everybody in summertime the sun doesn't always shine, wind doesn't blow at maximum speed and don't always have a clear blue sky powering solar so the principle still applies during summer in the peak months.

[1:20:08 PM]

Thank you for your remarks.

>> Just to clarify, I don't believe Larry is going to contract for a solar system in one location in west Texas. It is going to be geographically diversified to reduce the risk of cloud coverage impacting our output from the solar systems.

>> Tovo: Thank you both. You've highlighted some important policy questions for us.

>> One quick question, thanks for coming, Mr. S. You mentioned you're all right with our \$100 million general fund transfer of moss energy but there's a difference in quality of the indirect transfer that you saw. Because I understand your argument that generating revenue through property taxes or some other way of generating revenue may be less regressive than through the utility bill. That seems to apply both to the direct transfer and indirect transfer as you're mentioning. Could you briefly flesh out for us why it is that you argue that one transfer is, you know, generated all right but the other is one you'd like to see us address.

>> The honest answer is because I didn't want to get into the -- would have been I talk about indirect transfers, people say, oh, no, no, no, we deserve a dividend as the owner of the utility. And so I don't question that. I didn't want to get into that political better. As a policy matter should the \$100 million be revisited and should you ask what is a fair dividend for the utility to pay the city? Absolutely. I just didn't want to confuse the debate by having both at the same time. I wanted to focus on the indirect transfers. So I think a lot more people can agree that the indirect transfers is wrong and there's a lot more debate on the direct. I think if you guys as a policy -- as the policy leaders would ask the question if we ran this utility as a separate utility and not as a city agency, how much money would we save?

[1:22:17 PM]

And I'm not saying that we should stop all the indirect transfers. I'm just saying that it should be a public debate about whether those indirect transfers are appropriate and you, as the policymakers, should be making those decisions rather than those decisions being made hidden in a 100-page budget.

>> Zimmerman: Very helpful. Thank you.

>> Mr. Butler, do you have copies of your powerpoint presentation?

>> I do, actually.

-- >> Okay, thanks.

>> Tovo: Other questions. Ms. Morris, thank you.

>> I'm Katherine Morris. I'm the general counsel and public affairs direct of Samsung sum I occur, Austin energy's largest customer, we're located in northeast Austin, councilmember Houston's district, and she's been out to visit us. We are the largest sum I conductor manufacturer in north Austin, another 2,000 indirect employees. John Hopkins a local economist has opined we're responsible for creating 10,000 central Texas jobs and responsible for \$2.2 billion in economic activity each year. And in 2014 we consumed 910,000 megawatts of energy and paid a \$57 million bill to Austin energy. We just very recently entered into the largest private green choice contract entered into by a private company with Austin energy where now for the next five years we'll get 3% of our energy requirements through the green choice program. As a community member, we are proud to say we've donated over \$5 million since 2010 in philanthropic dollars to the Austin community, founding members of Austin green leaders and serve at the plot numb level, also the largest private.

[1:24:25 PM]

Soar of the clean air force and our chief environmental air search is chair of that board, very involved with keep Austin beautiful, in addition to my role at Samsung I serve as the chair for the United Way board for greater Austin. In 2011 city council adopt an affordability goal for all three class rates, rates of

classifications, individual, commercial, industrial. And out that affordability goal provided that energy rates would not increase by more than 2% a year and Austin energy would remain in a lower 50% percentile of all benchmarked cities in Texas. Okay. So that was a 2011 affordability goal but this past December the rates for Samsung and other industrial -- large industrial users increased by 5%, recent benchmark data says we're now in the upper 50% tile of affordability within the state of Texas. So we have really blown right through that affordability goal in just a couple of years. What happens when we pay, you know, more than we planned for? Well, it results in us having to cut costs in other ways. We -- when we have an unexpected increase of this magnitude, whereas now we're paying large industrial users are paying between 18 and 15% more in energy costs than they would if they were located almost 10 miles away in -- outside of the Austin energy area, when our upcoming contracts expire in May we're expecting costs to raise between 25 and 30%, unplanned for cost increases. This becomes an issue of business retention. It becomes difficult to make expansion decisions [lapse in audio] When you have unexpected cost increase it's requires companies to cut costs in other areas that often can indicate in cutting jobs through certain contracts we have for service providers and what not.

[1:26:40 PM]

Large industrial customers like Samsung, free scale and expansion help to stabilize Austin energy. We're talking about peak demand. There's no such thing for us. We have a consistent load factor. We have a 91% base load factor. Our energy costs do not vary for the most part because we operate 24 hours a day, 365 days a year, and that's important to the stabilization of Austin energy because that's -- they can take that load factor to the bank and they count on it. That consistent, stable, course of revenue. So that Austin energy can predict and pay for their own fixed costs. And bylaw lacking in long-term competitive rates for large base load customers Austin energy can guarantee a constant revenue stream from us that will help Austin energy remain competitive and at a great place to do business. But, again, it really does have to do with affordability. We believe that as large industrial, you know, users, we bring a great deal of stability to the utility. But we've got to get to a point where large industrial users can count on [lapse in audio] Serving our indigent populations and they're seeing their costs become unpredictably high and the unpredictably has long and short-term effects. We're spending a lot of money on the economic development portion of the city of Austin and yet if our rates are so much higher within the service area than outside of it, those locations -- relocation decisions are so easy to just go a few miles down the road and enjoy considerably less expensive rates. So that's kind of what's on our mind right now. We've had a great relationship with Austin energy.

[1:28:42 PM]

The quality is wonderful. But we are concerned about affordability. Thank you.

>> Mayor Adler: Ms. Houston you want to start and then Ms. Gallo.

>> Houston: Thank you so much for your comments, and I appreciate them. This is a question for Mr. Weiss. Are the rates comparable within the district and outside of the district? Do people who are in the -- that service area, are their rates the same as the people inside the city?

>> In the case of residential, those residential customers that are outside the city limits have a slightly different rate. And it's in our rate schedules, if you go to our website, it will have all the different pieces of it, but it is slightly less for customers outside the city limits of Austin, residential.

>> Houston: What about large commercial.

>> They're the same.

>> Houston: They're the same.

>> Yeah.

>> Houston: But for people who live outside of the city in the residential, they pay less than the people inside the city do?

>> They have a rate schedule, depending on how much they use, they could save, yes. So it's a little complicated. The last tier in our tiered rates, the second to the last tier for the customers outside, that's the same that they pay across the board for all they use. That's as high as it goes. Whereas inside the city, residential top tier is a little higher. Again, it depends on how much electricity the customer outside the city uses.

>> Houston: Thank you.

>> We'd be happy to provide a more complete explanation if you'd like. So . . .

>> Gallo: This question is for Ms. Morris, thank you for bringing to our attention the substantial increase you had in December. You mentioned that the affordability goal went into place in 2011.

[1:30:46 PM]

>> Correct.

>> Gallo: What happened with your rates in 2012 and 2013?

>> Well, our rates -- it was -- when it was, I think, after the recent rate case our rates went up. So they stayed the same because we're locked into a long-term contract, right. We had the predictability. We had an increase after the rate case. Now with our contracts expiring we're fearing 25 to 30% rate increases if we don't negotiate competitive long-term rates for the industrial class.

>> Gallo: Just to try to understand this, the goal of not more than 2% per year --

>> For all classes.

>> Gallo: All classes.

>> Yes. So, you know, there's only a -- negotiate for all classes. It didn't immediately impact us.

>> Gallo: Because of your contract?

>> Correct.

>> Gallo: Okay, thank you.

>> Zimmerman: For an industrial user like yourself, at some point it could be maybe economically feasible if you bought your own gas turbines and produced your own electric electricity? Has that come into the --

>> Yeah, Samsung has lots of different businesses, you know, and, for example, clan a couple for example couple of years ago we were approached about purchasing actually wind power, direct purchase from a samsung-backed investment, task was not an opportunity we're able to take advantage of because we are in the Austin energy service area. But that's just something we haven't investigated in depth. I don't really think we have any interest in running our own plants, to be honest.

>> Zimmerman: Sure. But if your choice is having a 25% increase in electric rates or maybe producing your own power, it would be better than having to move out of the city, right.

>> We're not going to move out of the and I. We have a \$15 billion investment in the city.

[1:32:48 PM]

I don't mean to make light of it. Obviously we're very concerned about that. I think what we really need to do is look at all the possibilities going forward. Where everyone's needs can be met. And I believe that with, you know, some very thoughtful and in-depth analysis of all the options available to us, that our low-income neighbors can be dealt with in a compassionate way that helps them pay their bills and that our large industrial users, we make sure we get competitive rates so we can continue to expand and add jobs to the economy.

>> Tovo: Mayor, I'd like to suggest, I know that Austin energy intends to present at our first

subcommittee meeting, and I hope they can give a real brief overview of the rate structure we adopted and, you know, part of the changes that were enacted was the change to the large contracts. And part of the rationale there was because, your honor, I believe they were \$20 million under the cost of service. Is that accurate, Mr. Weiss.

>> What we did, forecasted those rates to go to cost of service, that's correct, councilmember, that it would be about \$25 million worth of revenue. And what's important to understand, though, is that we have a power supply adjustment charge which used to be known as the fuel charge, all customers pay that. And that's where our purchase power agreement is, so if we're going to enter into solar contracts or wind contracts or whatever type of purchased power that we get, and it pays for our coal and gas and nuclear fuel, but those are pretty small compared today to these other ones, but that's what went up with the industrial customers. All the customers under contract, the reason their rates went up is because that power supply adjustment charge went up. Yes, we can be prepared to go into it. I would please ask you to take a look at our website and look at those rate schedules before we have that discussion.

[1:34:53 PM]

That would really help and you'd be a lot more prepared to ask me questions rather than have me go through a step by step of our electric rates work because it's all in there. I would appreciate that.

>> Tovo: There are two different kinds of increases we're talking about. One is the contracts are expiring and part of that is because as part of the rate case, the council policy was set that they wanted those large industrial contracts to be at the cost of service because they were -- there were tens of millions of dollars that I know there's not agreement on this point, but that --

>> Yeah.

>> Tovo: -- Some [lapse in audio] And the reason that the residential customers out of the service area have a lower contract is because they appealed it at the public utility commission and it was a result of a --

>> Right.

>> Tovo: I know that's a lot of information to try to present and I know the industrial customers, several represented in the audience as well as on the panel have a perspective as well that should be incorporated in our discussion. But to the extent that you can in the limited time at our first committee recounting some of those I think would be useful.

>> That's correct.

>> Houston: Mr. Weiss, as a new member of council going into my third month, you can point me to the web page and without context and any kind of help understanding what I'm looking at, I'm afraid I won't. So would you help us in the first meeting to understand what it is that you're talking about?

>> Sure. Love to. And, you know, the biggest part of our job and my job, frankly, one of the funnest parts is education. Because it is complex to learn. And I want to go back to councilmember tovo's -- mayor pro tem tovo's comments about industrial contracts. That is correct. When we looked at cost of service, we knew those had to come off. The question about whether you have new contracts or not is really about financial stability of the utility versus rates.

[1:36:58 PM]

So when you think new contracts, it's not about a better deal. It's stability. And our industrial customers [lapse in audio] Like us where we serve at cost, it's really important that we get it to cost and that we also provide a real fair deal that works both ways. So that's the goal we try to get to, and then then we went through the rates, that's correct, we were under cost of service on a number of our customer

classes. Frankly, almost all of them. And so had to make that big adjustment. First time in 18 years we had to make that adjustment, that cost of service. So we will tee that up for our first committee meeting.

>> Mayor Adler: Okay. Misgarza.

>> Garza: Investigator calculation. Just for clarification. You said the commercial rates are the same in city limits or out of city limits incomplete so there wouldn't be incentive; is that correct?

>> You said commercial customers. We have a number of top customers under contract. Those customers that are under contract are -- I don't recall the number, but I think it's about 20. Those customers that are under contract are the ones that didn't see an increase, only in their power supply adjustment after the rate change. And then as mayor pro tem pointed out, when we did the rate change we knew these contracts would go off, \$25 million to bring them back to cost of service. There is no distinguishing between the commercial, industrial, those on inside and outside. That adjustment was done only on residential.

>> Garza: If they're not under contract they pay the same?

>> Right, correct.

>> Garza: Okay.

>> Cesar: Just a point of clarification.

[1:38:58 PM]

I think part of what may be happening in this discussion is that there was mention of inside and outside Austin energy service area and then expend outside of the city. So we have -- my understanding -- wrong because I think it's important for to us note that residential customers inside our service area, but outside of the city, so, for example, Westlake hills sometimes have been off -- or in the last case have been offered lower rates than some people inside the city but inside our service area. I think what the representative from Samsung was mentioning with a inside/outside our service area rather than inside or outside the city. I think there's three tiers, inside the city, inside the service area, outside the city, inside the serve area or in another service area in general.

>> If I may, the big point we're trying to make as large industrial customers, if you're to go buy power for our load factor, our massive load factor of 110 megawatts, if we're to go out and buy that, you know, competitively, we're going to get much better rates on the competitive market. And that's a problem. Okay? Because now we're getting -- you know, it's the cost of doing business within the service area is much higher than what -- if we went out and bid on the competitive market. And that's our concern.

>> Mayor Adler: Misgarza.

>> Garza: I was confused. I've also been a councilmember for three months. How can you bid on other if you're --

>> No --

>> Garza: I'm sorry. Go ahead.

>> If you go -- assuming that you took us out, yeah, we were able to go into a deregulated market and that's what I mean, yeah.

>> Mayor Adler: I want to take the opportunity to thank you, Ms. Morris, and the other large users recognizing that there would be that price advantage. That you recognize and are so much a part of this community and share the values so that the decisions that you make are also tempered or involved, the larger community values that we have.

[1:41:10 PM]

And that's appreciated. The next speaker that we have is Milton Lee.

>> Thank you, mayor, council, appreciate the opportunity to provide some comments today. Relative to council's role in providing utility oversight. I have four main points I want to make today, and I'll start out with role of oversight. I do believe that the Austin city council should provide oversight for nance. I think oversight can be provided using two primary structures. One, direct oversight by Austin city council and mayor, second, oversight through an independent board of directors. Both structures can function effectively, both have pluses and minuses. I have personal experience working in both environments as general manager at 9 Austin energy and cps energy both. My preference would be the independent board of directors where Austin energy would have primarily four responsibilities. One, approval of electric rate adjustments, second, approval of bonds, approval of imminent domain for capital projects, and fourth, appointment of Austin energy board members.

[Lapse in audio] -- Financial, regulatory, legislative, system reliability, conservation, energy efficiency, risk management, and planning, just to name a few. The experience Austin energy management team must be capable of managing a very complex and complicated electric system infrastructure and it will be done all in collaboration with the Austin city manager and the city council. Second major objective, financial strength.

[1:43:11 PM]

Financial strength at all times is a key for Austin energy to carry out its vision and mission in providing electric service to the greater Austin community. Financial strength is absolutely critical to provide reliable electric service at competitive prices for Austin energy customers. Financial condition of Austin energy must be maintained at a high level to provide the required funds to meet the needs of the electric system and the associated components. Financial strength is crucial for maintaining a high bond of credit rating for moodies, standard and poors and pitch to support financial projects. Third major objective, setting priorities. Austin energy has a very wide set of goals for financial success, reliability, clean power sources, low income support and innovation. Just to name a few. Setting priorities allows funding of issues critical to Austin city council and for Austin energy customers as a whole. It allows Austin city council and Austin energy to develop short and long-term strategies. It allows Austin energy to implement executive -- excuse me, implement or execute strategies and priorities. And also allows Austin energy to manage risk more appropriately by focusing on critical priorities. Fourth, risk management. The continuing changing environment on energy policy at the federal, state and local levels increases the risk of Austin energy's ability to manage effectively. These risks include legislative, regulatory, market, financial, operational, cyberand technological and many others. I urge you to challenge Austin energy management to ensure staff is focused on risk management and provide oversight direction on priorities related to risk management.

[1:45:19 PM]

In closing, I know that there are other competing priorities for your oversight and time. Austin energy has provided an excellent return on the city of Austin's investment as owners of Austin energy. I recommend you dedicate an appropriate amount of time to provide effective oversight to keep Austin energy a vital, productive asset of the Austin community. Thank you very much.

>> Mayor Adler: Thank you. Any questions? Mr. Duncan, Jim Duncan -- roger Duncan, sorry.

>> I don't know that I have a lot -- I'm going to speak --

>> Can't hear you.

>> Thank you, councilmembers. Actually, some of what I was going to say has been touched on by other speakers so I want to skip some of my remarks. I think they've been well-addressed. Focus on two points that I wanted to make. The first is -- and I think I'm the only person here who has been on all sides of the

dais, I've been on the council, city employee, manager of Austin energy and was a citizen activist for a long time. And one of the points is Austin energy is not just another department. Not even another enterprise department. It is because of the nature of the electric utility industry, the magnitude in swings of the financial in the industry can be significant and swift. I'll point out to you what happened to Seattle a few years ago. Seattle city and lights good utility, sells a good city, they got upside down in the wholesale market and within months went through all their cash reserve, no transfer to the city budget, raised rates significantly and the Seattle city council then had to issue bonds to transfer money from the city to the utility.

[1:47:35 PM]

Imagine that being on your agenda. The point is it is a -- there can be a very volatile industry, and in recommendation of that, the Texas legislature has in fact given you special powers for a municipal utility that does not apply to any other city department. Special laws regarding purchasing laws, open record laws, meetings act and so forth. I hope you never have to use them, but you need to become familiar with them because there's a reason for them. And they are necessary. The other point I wanted to make relates to that, and that is the entire electric utility industry, including Austin energy, is facing a fundamental business problem issue. It relates somewhat to what clay was discussing earlier and Larry, but distributed energy resources, the mass deployment of distribution distributed energy resources can absolutely bring down the electric utility industry. As electric nuance call even a guest file. In Europe the major utilities have lost 40% of their value in the last several years. Now, distributed energy resources is not just solar. It can be gas, micro turbines, fuel sales, efficiency, energy storage, electric vehicles, micro grids, smart grids, many other things, and I think it's a basic technological change. It's coming regardless of whether we subsidize it or don't subsidize it. And so forth. But the point is that the issues are complicated. And they're multiple and they come up in various forms. The cost benefit analysis versus penetration levels of Der, performance based rating, dynamic pricing verses time of views, fixed charges versus minimum bills.

[1:49:36 PM]

I'm not here to advocate a solution. In fact I've been looking at this for a few years and I don't see any easy and good solutions. But you need to bring yourself up to speed on these issues and get involved with the policy making aspect of these decisions because it will have a significant impact on this utility and on the city of Austin as the owner for that utility. Thank you for your service to this community and appreciate your time.

>> Mayor Adler: Thank you. Mr. Zimmerman.

>> Zimmerman: You know, one of my concerns, one of the more technical people on the city council, the problem is that you've forgotten more about the electrical energy business than I know. The problem I've got with this arrangement is that we have a city council here, varied backgrounds, I just don't see it happening that we're able to ramp up technically and gain the wisdom that comes from many years and decades of being in the industry. I don't see us being able to gain that kind of knowledge and understanding in the limited time that we have. You know, the Austin energy -- as you said, it's so complicated it could be a full-time job by itself. So if I dropped everything on my plate and focused 12 hours a daw on energy, I might be able to ramp up in a couple of years so I could intelligently talk to you about it. I don't see that happening. So one of the things I talk to with voters in northwest Austin is the idea of spinning off the energy business because your council doesn't have the expertise that it needs. [Lapse in audio] City council out of the business -- complex industry and you need decades of experience in it in order to make those wise decisions, in my opinion.

>> Well, this community had a discussion in the last year or so about spinning off to an independent board.

[1:51:41 PM]

Because of some of the reasons I expressed, I was an advocate of spinning off to an independent board, although I have a somewhat unique perspective I thought it should be an independent board publicly elected. None the less, the time issue required to deal with this complicated issue is a real issue. I don't argue with that. I guess my only response; councilmember, at this point, you don't really have a choice. You've got to find a way to deal with the issues in our current circumstance.

>> Zimmerman: Well, one choice we could have if the voters chose to do it, we could modify our charter and bring in a competitive electrical companies, right? And get us out of that business. That is one choice. I'm not saying it would happen but it's a choice.

>> Yes, let me also make a point here. The business model problem I'm discussing is affecting privately owned electrical utilities as well as publicly owned. There is no salvation in being privately owned in dealing with distributed energy resources. In fact I think some of the biggest utilities are going under because they've been slow to act.

>> If I could add a little to what Roger is talking about. He sat in my saddle at A.E. As well as Milton has, and one of the misconceptions is that this independent board concept, one of the misconceptions is that somehow it's somebody not connected to the council or the city at all. What Roger is talking about is -- all you have to do is look at our peer group across the country, Jacksonville Florida. Their city council was just like you at one point in time, looking at the same issue, talking about the same thing, with some help from frankly, some bankers to convince them to do it a little bit, they wanted eight or a subset of the council or the council to appoint a subset of them to become experts in policy, as you discussed.

[1:53:50 PM]

The reason for that is when it gets certainly complex enough, you have to have that level of knowledge November in order to be a good policy maker. No different than being on a private corporation board, if you've ever done that, at some point in time you really need to know the stuff, the numbers in particular, the financial stuff in particular, because there's some pretty heavy duty decisions. Well, the reason I went through the history earlier is because Austin energy has worked its way up to being a very big utility. It isn't anybody's fault. It's the growth and it's the service area and it's a good thing, but it has turned into a very, very large company that requires good policy making decisions because, certainly, while I as a general manager of the utility, this is my third general manager job, while I love to have all of the tools and run it any way I want, you can't do that. You have to have firm policymakers because the decisions about how much our low-income programs are, what is this, what is that, in public utilities is a policy decision. That's what makes it so hard because we have to bring that back to a policy making body to decide. And several cities have gone down this path and come up with their political solution for it. We can provide you all the information on that that you need going forward, but I just thought I'd say those words.

>> Mr. Mayor --

>> I just wanted to add quickly I didn't want my comments to be misconstrued. I think Austin energy should remain a public utility. The daily management of that is too complicated for the current management structure. But there are all kinds of reasons that I think a public utility serves the citizens better than a privately owned utility. It is just a complicated business at this point.

>> Mr. Mayor --

>> Mayor Adler: You want to comment and then Ms. Kitchen and then Ms. Pool.

>> Council, I would suggest before you make a fatal move towards going all the way to the other side and say let's sell Austin energy there's other intermediate steps you could take to still govern this public entity and you still have local control to do that.

[1:56:02 PM]

If you went the other way, ultimately sold this it would be irrevocable and I would suggest you'll never get back in the electric utility business you'll forgive a big gem you've had for 100 plus years.

>> Mayor Adler: Thank you. Ms. Kitchen and Ms. Pool.

>> Kitchen: I wanted to go back to something that Mr. Duncan said just to ask you to repeat it. You had started to outline what you considered to be critical policy issues. And I'd like you to repeat those. But before you do that, I'd just like to say that, you know, this is a public asset. And, yes, it's very complicated, but we also do a lot of complicated things. And so I think that we need to distill down to what the policy questions for us are all before we get lost in the morass of complication. We do have Mr. Weiss and others, you know, great team working for us and with us on -- you know, to handle the complexity of the operation. So anyway, with that said, let me go back to asking Mr. Duncan to articulate what he identified as key policy decisions for us again.

>> I just listed several quickly, and I would point out that there are several state public utility commissions and utilities around the country and in Europe that are dealing with these issues and a fuller briefing would be in order, but it's such things as should you [lapse in audio] -- Like in regard to a mass penetration or deployment or distributed energy resources versus what we're seeing today. One of the benefits of trying to recover your distribution charges through either a fixed charge or a minimum bill, what's the advantages of a dynamic pricing verses time-reduced pricing in dealing with this?

[1:58:03 PM]

Some of the issues involve the utility ownership of distributed generation, should it just be on the distribution side? San Antonio is talking about leasing roof tops to put utility solar on it. Those are some of the issues. Many others involving electric vehicles, energy storage. There's at least a dozen or so being discussed in the public.

>> Kitchen: Well, I'd like to ask our chair of our energy committee to help us take up these different policy issues and work through them in a deeper way. Thank you.

>> Mayor Adler: While we're talking policy issues and you may have discussed this when I subcommittee I apologize if that's the case. One way to deal with the charges to the \$08 million and the other charges to look at the utility like an inventor might, with respect to the operation costs and what the appropriate dividend or return would be to an owner. So just to set a fixed dividend return, and my understanding is, without knowing how that works, that in the industry that did range from 13 to 16%. I don't know if that's through or not, but to set whatever the dividend or appropriate return would be. And then just let the city recover that as any inventor would, that it could then spend however it thought appropriate. Does that kind of structure have any kind of merit?

>> Well, let me -- that question, I think we can answer in a memo. In other words, if -- city of Austin was served by a private utility, there would be franchise fees and taxes the city would collect, just like it does from other utilities that are serving in the city of Austin right now. I would say that I'll take a pretty close guess that it would probably be a third of what the city currently benefits from financially by owning Austin energy.

[2:00:09 PM]

Probably along those lines. We can ask that question, have our regulatory staff, we can provide that maybe at our first committee, provide an answer to but it is, it is a balance because a lot of these have gone through this, that discussion about how big of transfers they should be and this is not just -- this isn't just Austin energy's issues, a lot of cities have the same issue. Los Angeles went through this a number of years ago and it's a policy decision. We'll have to give the right tools to you to make the right decisions and the budget process is a part of it, but we can proceed that answer, mayor, in a memorandum.

[Microphone feedback].

>> Mayor Adler: Ms. Pool.

>> Pool: We're getting feedback and I'm not sure why.

>> Mayor Adler: Apparently you're not supposed to ask that question.

[Laughter].

>> Pool: I just wanted to say that-- [lapse in audio]. It has to care for everybody. We don't get to pick and choose the best or the

[lapse in audio]. We are comfortable in knowing that the city is in fact the steward and the caretaker of these utilities for a couple of reasons. One, we are elected up here so this is a lot of transparency and accountability. We speak to the voters and our constituents and the residents and the renters in this town daily and they can come and talk to us when they have concerns. That's not always the case when things are in the private sector.

[2:02:11 PM]

It's really hard to get access to the executive suite or to the shareholders. So I look at the residents and the ratepayers and the users, the renters in Austin as the stakeholders of the utility. But the water utility and the electric utility. And I see that as an entire group that we are serving. And last year I followed the debate whether to send the utility governing responsibilities to a high level technical panel, and I did not support that. And when we were asked about it during the campaign I was really clear that I thought for the reasons that I articulated a couple of minutes ago for our accountability and transparency and the fact that you can talk to us and we're here every week as a lot of the reason why I maintain that it is entirely appropriate and civically responsible for the city to maintain control over Austin energy. I don't care that it's hard and complicated and difficult to understand. I was on a couple of city commissions that were that way and I managed to stumble my way through them and learned a lot. And I expect to do the same with Austin energy and Austin water utility and I just want to make the point that government doesn't choose its customers, we serve everybody. And if this were to go to a private entity that might not always be the case. Thanks.

>> Mayor Adler: Ms. Tovo?

>> Tovo: Yeah. I agree about -- with the comments about maintaining the council's decision making role over Austin energy. And I just wanted to mention a couple of resources that Austin energy and our city management have developed that I think are useful. One is a very large binder that the city -- when there was a conversation the community and among the council about whether it would be appropriate to have an independent governing board, the city manager at the direction of council prepared some information comparing Austin energy to different publicly owned utilities, possibly some privately owned ones as well.

[2:04:25 PM]

I can't remember. Just to along at how Austin energy fared compared to municipally owned utilities that

had independent governing board, and Austin is -- it was -- Austin energy is -- it was really clear from that information that Austin energy excels in many, many categories compared to those governed by independent boards. Also, the staff of Austin energy prepared lot of materials during the period of time that the city was undergoing the rate case and that the council was considering that we had something like 11 or so work sessions and there was a huge volume of material that Austin energy prepared to kind of explain some of those real issues of complexity. And there are also some white papers that talk about the general fund transfer, that talk about economic development, other utilities that fund economic development. So I hope that our city manager and our utility staff will help point -- help point us to those resources that exist because it's a real valuable body of information.

>> Mayor Adler: Okay. Thank you. Next speaker is Ms. Pajinski.

>> Thank you, mayor Adler. Good afternoon councilmembers. My name is Carol pajinski, I'm executive director of Texas rose, which stands for [lapse in audio]. Ratepayers organization to save energy. I thank you for asking me here today to this policy workshop. I am a member of the resource management commission. I was a member of the generation planning taskforce that issued its report in 2014 and I am currently chairing a taskforce called the low income customer advisory taskforce.

[2:06:25 PM]

We have -- here at Austin energy we have a generation plan that was based on a settlement that was approved previously. I am very concerned and so are others in the community that that plan has none of the recommendations in it that were outlined in the generation taskforce report to do a better job on providing energy efficiency programs to low and moderate income customers. And that's kind of like what I want to talk to you about today, but I thought because this is a policy workshop I thought it might be beneficial if I tried to explain to you the kinds of things that we look at when we review a proposal to see whether it's really doing -- if it's serving the low income populations well. First of all, let me define for you how we define low, moderate income customers and the taskforce report used the term underserved customers and I think that that's a good term I will use here today to describe the people that we're talking about. First of all, the low income customers are those whose incomes are at or below 200 percent of the federal government guideline. That is -- these are customers that are eligible for the free weatherization program. Income for them for an individual is \$23,540 a year. And for a family of four that's \$47,700 a year, 28% of Austin energy customers fall into that income category. The next group that we identified were low, moderate income customers, which is 201 to 400 percent of the federal poverty guideline. This is another 28% of Austin energy's customers.

[2:08:27 PM]

Now, you have a wide range of needs in here because we've got the 201%, these people like -- they're income, if it's a dollar or a penny over that 200 percent pornography federal poverty guideline, they do not qualify for weatherization. And in this particular economic situation they can't afford whether or nottization any more than the person does who qualifies it. So we see that this is a group where it may be appropriate to have some kind of sliding scale benefits that's a combination of grants and loans. I put a lot of information in the handout I gave to you that is like a little paper and I'm going to skip over all that because we don't have time here today. So now that I have that established I want to say that there are three concepts that we look at in reviewing utility proposals and they're appropriateness for serving all customers. One is equal access. One is a public owned utility, that provides equal access to residential customers. As costs rise, it becomes impossible for some people to afford access to the system. So in order to provide equal access we may have to do some adjustment to the rates and the terms and conditions for getting on the system. So this is the purpose of a program like cap, which we already have

that reduces rates for qualifying customers. This is the purpose of bill payment assistance programs that help people out in emergency situations and also by reducing usage and reducing people's bills we are helping to provide equal access to the system.

[2:10:48 PM]

[Buzzer sounds] Whoa, I'm out of time already. So two other concepts we look at equity. Equity, everybody pays into the system, all customer groups should receive some benefit from it and then we have community values. Austin energy, the way Austin energy operates affects the community, our commitment to the environment is very important and [lapse in audio]. And there's a little point in this write-up about it, but we are very concerned that as distributors -- as distribution takes hold [lapse in audio], they're going to end up supporting the infrastructure that's already been put in place and they're going to be paying like high rates to pay for wires and poles and transmission lines that other people are not using as much and so that's a big consideration that council has to, you know, think about. And that -- I have to conclude my remarks because I'm way over time.

>> Mayor Adler: Thank you very much. The next speaker we have is Mr. Bill peacock.

>> Thank you, mayor.

>> Mayor Adler: Can you turn that on and pull it closer?

>> Thank you, mayor Adler and councilmembers for having me here today. My name is bill peacock. I would like to briefly address you on the challenges of the public utility model that we currently operate in Austin today. There's a long history of government-owned or government owned or granted monopolies. Throughout Europe royal grants such as east India company. Likewise it's also suffered from a long reputation. We think of back to the founding of this country, like the stamp act. That was essentially a government non-open my and it -- monopoly and it led to founding of our country.

[2:12:49 PM]

So you look at that in light of the industry of what we do today. When you look at a market, it's really consumer preference that drives the marketplace and there's no better feedback loop than that. Whether it's regulations or city elections or any kind of polls. Nothing is as effective as consumers operating in the marketplace. One of the great things about consumers in the marketplace is it actually balances out the generator's percent of profit. And you come to the perfect MIX when you get efficient MIX at low quality and low prices. Usually it's driven by political and other consumer unfriendly moat vase is and the result is an inefficient market that harms the public through higher cost or reduced choice. The -- there's three big issues that I'd like to just address when it comes to that. One is transparency. One is cost and one is consumers. When it comes to Austin energy, when you have a \$1.4 billion a year company, transparency is very important. And the way the system operates today, because it's I think a utility model, it doesn't really provide that transparency. You think about the transfer from the city -- to the city from Austin energy, the general fund transfer is very apparent and open, but the other transfers were Austin energy directly funds priorities of the cities are not. And regardless it makes it hard for the citizens to understand how much they're paying for electricity and how much they're paying for other options -- other expenses. So there's options that can you deal with keeping the public utility model and those have all been discussed today, so I'll continue past those.

[2:14:51 PM]

Another challenge of the public utility model is cost. Many expenditures suggested by Austin energy unnecessarily add to the cost of electricity bills. Some of those costs are directly related to providing

electricity service. Some less so in the transfers, but generally they are all add cost and just add to the inefficiency of the process. Lots of examples about that. Energy efficiency services is just one of them. The average energy efficiency program costs about 25% -- 25 cents per kilowatt hour compared to Austin energy going out and buying power on the market at five or six cents, something like that. Very expensive. Same thing with renewable energy purchases. No matter what you hear, renewable energy costs much more than conventional energy today. And although some investors and generators will tell you different because they want the subsidies, but really that's the case. So some recommendations you could do to reduce the costs here are get rid of expenditures like the Austin energy efficiency renewable energy purchases. You could reduce the transfers to the city of Austin, base those on basically what the cost of the services are. You provide what franchise fees might be from other things, but ultimately I'd like to focus on consumers here and the benefit that consumers would have from ending the Austin energy monopoly. You know, I think again the problem with the system today is that it really excludes customer and consumer input from the generation decisions that are made here in Austin. And it's just simply inefficient. And the fact of the matter is that consumers, whether they're big or little, pay more for electricity this way. You already heard testimony that the large consumers could get better rates if they moved outside of the city or if they operated outside the city today. And the same thing is true for residential consumers.

[2:16:53 PM]

It's cheaper to buy electricity around the city of Austin from residential consumers than it is in Austin. The average offer outside of the city of Austin is about # .2 cents. I think the average 1,000-kilowatt hour residential bill is about today about 10 and a half cents or so.

[Buzzer sounds] So my final recommendation today would be that the city of Austin should seriously pursue opting to join the competitive market. It's a very simple solution, simple recommendation, I understand that the complexities of doing that are much more complex and not so simple. But they've been navigated before and the state of Texas did this about 15 years ago and they dealt with the stranded costs and learning how to compete and the different systems and softwares. So it's an option that the city could pursue if you so chose. Thank you very much.

>> Mayor Adler: Thank you. Any comments?

>> Zimmerman: One question. One quick question, thank you, Mr. Peacock. I think this goes back to the question I raised earlier about the city council having enough technical depth and experience to gain the wisdom needed to make some of these complex and very, very expensive decisions, right, on which way to go. So in my thinking one of your big of advantages of this competitive marketplace is all of those complex decisions can be taken away from us and instead we get a choice of energy provider. And so what it does is it takes away the temptation and our ability to make bad decisions and try to micromanage the energy company from a background that we don't really have. So to add to what you said, I think from a council point of view I would love to get this off-loaded from the council and give consumer choice, let them choose what Austin energy company they would like. There could be portfolios, right, of energy blend. Someone wants a renewable energy portfolio, they could get that from the market from one of the providers.

[2:19:01 PM]

If the someone else --

[lapse in audio] And reduced power. Again, it would empower the consumers and then take the city council out of micromanaging the business. I think. Does that make sense to you?

>> It certainly does. I think there have been some co-ops who entered the competitive market and they

haven't sold off. They still operate and compete on the market. That would be one model for Austin energy to do is the step could keep Austin energy, but just compete in the competitive market. I think what that would do is it would force Austin energy to make more market friendly and ultimately consumer friendly decisions in the process.

>> Mayor Adler: Thank you. Thank you, panel.

>> Renteria: The people that did sell -- the cities that are the-- the municipality that owned their own power unit, how did they respond to the loss of the \$110 million like we would have? Do they increase the taxes?

>> What I said when I said that, I was mentioning cooperatives have done it. No cities have done it yet. It's only cooperatives that have made the transition yet. And of course, they don't have that problem that y'all would face from having to deal with the revenue challenge.

>> Renteria: Thank you.

>> Mayor Adler: Okay. Mr. Zimmerman?

>> Zimmerman: One more question. Could you talk for a minute or two about the pedernales electric co-op? I believe there were some lawsuits in place, Saturday, over the purchase of wholesale power? In the pec area, right. Some people were complaining they had been locked into some contracts with the lcra for wholesale power, I think. Was it in the new braunfels or San marcos area there was a lawsuit down there over rates, wholesale rates through lcra? Could you comment on that a little bit?

>> I followed that in the news, but I really don't have expertise to sit here and tell you about it.

>> Zimmerman: No problem.

>> Mayor Adler:

[2:21:03 PM]

Ms. Troxclair?

>> Troxclair: Do you have data that compares the cost to consumers of energy from public utilities versus private companies? In deregulated markets?

>> Right. It's an interesting challenge to come up with that data because since we're in a competitive marketplace, we don't have the kind of data that we had before when everything was regulated. I can tell you what consumers in the city of Austin pay for electricity if you dig far enough. Like I said, the average electric bill over a thousand kilowatt hour user per month is about 10 and a half cents if you look at it like that. I can't tell you what the average customer around Austin pays, but I can tell you what the average offer is out there. If you go to the power to choose website, which I did this week, the average offer out there is about nine and a half cents. That's a fixed rate contract from anywhere from six months to two years. So the customers could today go out there and get that lower choice and do that. It's slightly apples to not quite Oranges, but it's a slightly different look at things. But the data is not just out there to get that exact comparison.

>> Mr. Mayor, to Mr. Peacock's points and the analysis of different rates, your question about the comparison, we actually do that. We'll actually provide those to the council committee. We do it in some quarterly reports. We'll do it as a part of the budget process. But you might find that why are all the public utilities in Texas not why did they not all deregulate? The answer is because of something that was mentioned earlier about I think councilmember pool, and that was because of our values of serving our customers and all of the programs we have, a variety of offers that we make as a publicly owned utility to our customers, that local control, which is fundamental of publicly controlled utilities, all of cities in Texas 'ed to keep that.

[2:23:16 PM]

So there are no cities in Texas that have opted for deregulation. And here's one of the problems. The problem is that there's a default power supply that happens if somebody doesn't choose and we have a lot of people who are not what I would say on the market, internet savvy that they're going to shop around every six months or every year for that matter to find a better power deal. So what happens is they default to the rate that that provider pays. And there's many, many consumers that are hurt under that model, residential customers. In the commercial structural sector it's a little bit different, but in the residential sector. So that's why those public utilities, either in California, Ohio, Texas, other states that have deregulated, the publicly owned utilities in those states, their policymakers, you, decided it is not in their interest to allow their customers to be hurt that way. But savvy customers can make a better deal out there. So really what this did in deregulation is it put a middle person in between the deal of providing the power and the wires company. So what Mr. Peacock is talking about is Austin energy becomes a wires only company. That's all we would do is charge for the wires. The power supply everybody gets to choose. So it's a highly debated topic. I think should there be time down the road in council committee we could take you deeper into it, talk to you about why the situation it is. But it's one of the very curious parts of our industry. But that's what we're measured against. We have to be competitive with it, which is why our affordability and the work that we do [lapse in audio].

>> So my comments are not being con tried as advocating for deregulation, that's not at all Samsung's position. We have enjoyed our relationship with Austin energy. We see many, many benefits from working with Austin energy in the manner that we are.

[2:25:26 PM]

And for years it was at a price actually that was more competitive than the deregulated market. But that has suddenly started to change and I think that's where our concern is that perhaps decisions that have been made by past councils -- left I mention the horrible bio mass contract that I think [indiscernible] At that time. So I think from the large industrial users that we see great [lapse in audio]... Owned entity and I think we need to look forward and just make very, very wise choices so that we can have a predictable cost of doing business and that remains competitive.

>> Mayor Adler: Ms. Troxclair and then Ms. Pajinski.

>> Troxclair: I know we're going to have another discussion in the future so I will try to be short with my questions. But I am trying to understand where the disconnect or what are the cost drivers that -- I have constituents in my district that are served by pec and their electric bills are lower than my constituents who are served by Austin energy and we're also hearing from the large industrial users that they could find -- that they could get better rates elsewhere. But then the argument from Austin energy was that we are losing money if we don't increase the cost to the large industrial users, they are not covering what it's costing Austin energy to provide them with that energy. So why is the energy from Austin energy so expensive? What is it that we're doing that is making -- that is driving our costs up that is making it so expensive for us to all cover those costs? And I do -- I know the discussion about -- I'm not trying to get into a deregulation discussion, but I don't know if the argument that -- because we're a city-owned utility we're serving a broader need of customers.

[2:27:39 PM]

I don't know if I buy into that completely because I know in deregulated markets, those companies are still highly regulated at the state level. They're competitive pricewise, but there are a lot of regulations to make sure that the people who are in most need don't get cut off from electricity. So is there something else that I'm missing? I'm truly trying to understand the difference.

>> Well, let me just walk back a few years and say that when we tee up all of our financial discussions

and as you go through the budget you will be able to see it more clearly. But right or wrong, decisions have been made to be a very clean utility. We have a climate protection plan and we are trying to lead the way to be the innovator. There will have been many decisions that have been made on resources that are more expensive than other resources. Our nuclear powerpoint was about a half a cent a kilowatt hour. And some days like probably two days ago the last time I looked, 90% of our load was being covered by that and a piece of fayette. And that keeps our prices way down. So we have a portfolio. And we have crept up the cost of that portfolio over the last few years. And my word to council will be not just here, but later, we have to be cautious. We have to be cautious about how fast we can and what we add. And also realize that we are working in a very complex market of ercot and it is not easy to digest in a meeting, and so we'll have to work you through some of the economic dynamics about how that works. So the short answer is we've been ambitious, we've raised our power supply adjustment, our fuel costs, our purchase power, but this is a horse race and this is a snapshot at this time and now, and strategically what I've tried to do in the utility is say that we may have periods of time where we'll be a little bit higher than others, but they will catch up and history has shown that to be true.

[2:29:51 PM]

So if we can maintain our position where we are now or close to it, I think what we'll always be competitive in the Texas market. And the neighboring utilities, particularly the co-ops, bluebonnet and pedernales, our electric rates on residential, depending on how much you use, we're even cheaper than some of those. So we'll do that benchmarking for you so you don't have to do it.

>> Thank you. Councilmember troxclair, I don't know, I'm maybe not the best person to do this. I was involved in meetings the whole way through the deregulation of the larger portion of the state, and the way I look at it is as far as the cost drivers, the cost drivers are totally different in the competitive market than they are in the regulated market. Right now the cost of the power that customers buy from Austin energy is based on the cost of production. The cost of production is not really relevant in the competitive market. It's market prices. And so in effect some prices that are low now may in fact be below the cost of production. And there are problems that people who own generating facilities out there that have lost a lot of money because of like the decreases in the natural gas prices, which are drivers, it's -- [lapse in audio]. Called cap Texas captx. I can never remember what the cap stands for, but it is an organization that is formed by the cities who participate in rate cases that the public utility commission that is used in Dallas, Austin, it's a pretty good organization, and they have done some studies on price comparisons for publicly owned utilities and privately owned utilities and the comparisons that they make are based on the data that's reported to the energy information administration.

[2:32:23 PM]

So the it's not necessarily current and right up to date. So I would recommend that you look at that if you want. I'll get it for you and I'll forward it to you.

>> Mayor Adler: Thank you.

>> Of course, I can forward it to everybody on the council if that would be helpful.

>> Mayor Adler: That would be helpful. Mr. Schmandt and then we'll go to five other voices.

>> I will try to answer councilmember troxclair's question. I would say be very careful about looking at comparative prices, deregulated versus regulated, by a snapshot analysis because right now -- and this is part of what roger Duncan was talking about. We're in a very unique time in the Austin energy industry and we're having historic lows of natural gas prices. So if you go out there -- in a deregulated market you

will find someone who only has natural gas in their portfolio and they can guarantee you for maybe six months, maybe a year that they'll honor those low prices. But by golly they will not be able to honor them beyond that. And if the natural gas prices change, they will be underwater very quickly. And what Austin energy provides is a balanced portfolio effect -- it doesn't guarantee, but tends to provide over the long-term more stable and lower prices. So you really don't want to do snapshot comparisons. You want to do over the long-term comparisons and those are much more valuable.

>> Mayor Adler: Thank you. Dr. Reid. Dr. Cyrus Reid. Is he here? Do you want to come up?

>> [Off mic].

>> Mayor Adler: Okay. You have five minutes to tag team.

>> It was a bit surprising. Mayor and council. My name is Dave Cortez with my colleague Dr. Cyrus Reid from the Sierra club.

[2:34:23 PM]

Speaking on behalf of our more than 4500 dues-paying members here in central Texas. Last year we worked with many stakeholders to set a strong foundation for energy policy over the next several years here in Austin, a foundation based on three key points. One maintaining affordability. For those of us impacted by high bills, Austin's poor. Two, protecting our children and seniors, most impacted by asthma and other respiratory illness by committing to retire our dirtiest power plants, Fayette and Decker. And three, maintaining national leadership on clean energy. With that I pass to the good doctor, Cyrus Reid.

>> So I'm going to make just a few points. I'm Cyrus Reid, for the record, with the Sierra club. You don't have to call me doctor, otherwise you think I could actually do something medically, which I can't. So I wanted to put it in context. A lot has been covered. That we are part of a larger ERCOT market. The ERCOT market is changing. I think Clay did that well and others did. The 2025 plan reflects this reality and then talk about a few of the decisions you must make in 2015. So this is where we are now in 2014. We're primarily a natural gas and coal with about 10% wind, but it's changing. Sorry, I'm having trouble with this. This is the amount of wind capacity, we're currently around 12,000 megawatts, but we think based upon the ERCOT queue it's going to go up to about 20,000 megawatts of wind. Monthly wind output ranges anywhere -- this is a point that Mr. Zimmerman made. Sometimes it's about one percent, but on certain hours and certain days, the ERCOT use of wind has gone up to 40 percent over the last year. And here's what's in the queue, and this is a point that Clay and others made. There's a lot of gas in the queue. Some of it won't get built because of the financing. Some of it will.

[2:36:25 PM]

There really isn't coal other than one project. There's no nuclear in the queue. There's lots of wind, lots of solar and increasingly we're seeing storage. So from our point of view when we look at a generation plant for Austin energy it should really be reflective of what's happening in ERCOT so we take advantage of that. Quick history of generation plan, 2010 plan set a 35% renewable goal by 2020, an 800-megawatt efficiency demand reduction goal, 100 megawatts of solar and a study on the future of the coal plant. There were some resolutions that Ms. Tovo and others worked on that set big goals on solar, renewable, storage and carbon reduction. After those big goals were set, Austin energy came back and said, well, we're not sure those big goals are affordable. And that's when many stakeholders sat down with Austin energy and with the city council and came up with what I'd call more of a compromise plan, which created the 55% renewable energy goal. An efficiency goal that is at least 900-megawatt, but does further studies to look at further efficiency, also sets some demand response goals, maintains a 950-megawatt solar goal, but gives Austin energy a little more time to get there, as well as wind, as well

as for the first time in a generation plant actually setting a storage goal. And let me go to -- and the 2025 plan does require a study on looking at do we need a natural gas plant, a more modern, efficient natural gas plant to replace the decker units that we plan to shut down. Last slide. This is what we feel should happen in 2015. One is we need that independent study that looks at the gas plant and alternatives to the gas plant. We need to move forward on an rfp for solar to see what things are out there and what makes sense as well as an rfi for large scale storage. And then there will be some budget discussions that the taskforce that I'm on that Ms. Pajinski chairs, we're going to have to make some decisions about the amount of money to put in energy efficiency, weatherization and on-site solar.

[2:38:36 PM]

And also to the reserve policy, and this is a point that Mr. Schmant made, if we're really going to put money into closing down decker and closing down fayette, we need to start that budget process and figure out year by year how much money is going to be needed to close down our most inefficient and oldest resources. And I'm happy to answer any questions.

>> Mayor Adler: Thank you. Thank you very much. Gabel white.

>> As you know, Austin energy is the city's most valuable asset and commands by far the largest piece of this city budget. Because Austin energy is city owned utility and the city council serves as the board of including solar and energy efficiency as you've heard. Affordability has two sides. Cost of living and earnings. As housing costs are rising do people have access to good jobs that can support a family. Of course we need to ensure bills, and I do mean bills, not just rates, remain affordable, but we can also do more to create good local jobs. Investment in renewable energy and energy efficiency creates three times as many jobs per dollar invested compared with the same investment in natural gas. Even more importantly, when Austin invests in local solar and energy efficiency, those jobs are local jobs here in the Austin area. Solar jobs are growing rapidly across the country and especially fast in Texas.

[2:40:39 PM]

As of November 2014 there are almost 7,000 texans employed in solar industries. That's a 68% increase from 2013, a growth rate that is 24 times faster than for jobs in general in Texas. Austin alone is home to over 1200 solar jobs and these are generally good paying jobs with living wages. Solar installers earn an average of \$19 per average in Texas. Solar designers earn an average of \$34 an hour and solar salespeople earn an average of \$38 an hour. Those are pretty good jobs. There is an opportunity for energy budget to do double duty through energy sources we invest in. San Antonio jumped on this opportunity in 2012 and negotiated a deal to invest in 400 megawatts of solar in exchange for local siting of a solar manufacturing plant and the creation of over 800 local jobs and investment of at least \$115 million [lapse in audio]. And in 2014 with 240 employees, and that number is expected to grow to 400 in 2015. Perhaps Austin should consider a similar deal. But without a doubt we should be doing more to ensure that people who are unemployed and under employed in Austin are being paired with job training that will give them access to solar jobs and energy efficiently jobs. Austin community college offers solar training classes, but I'm told by the instructor of one of those classes that they are often not full. At the same time it 78% of Texas solar companies say they have trouble finding qualified candidates to fill jobs.

[Buzzer sounds] We have a fast growing local solar energy economy offering good jobs and people who need better jobs, but they seem toothed ed some help finding each other. We can do more to expand solar energy efficiency in many ways, but I hope that a focus and programs for renters and low income residents will be a focus in the near term and I hope that you will do some creative thinking and work with the community to make energy choices that will bring the greatest total -- [lapse in audio].

[2:42:53 PM]

>> Mayor Adler: Thank you very much. Charles Cloutman. And then Suzanne Meredith.

>> Thank you, mayor, mayor pro tem, council. My name is Charles Cloutman, I'm with meals and wheels and more and I'm currently the chair of the Austin housing repair coalition. As I'm here to talk you about what the coalition does and how it interfaces with the Austin energy weatherization program. The coalition is a group of northwests that perform home repair and other social services, meals on wheels, habitat for humanity, urban league, buy backs, American youth works, Easter seals, several others. It also includes Austin water. It also includes Austin housing. It also includes Travis county. And Austin energy. Austin energy has proven to be a vital partner in it. They cannot do weatherization on some houses because they need home repair. So they refer them to us. Once we repair them we give them back to Austin energy for them to do weatherization in an area that can actually handle the weatherization. Once we've repaired the home in the Austin energy service area we refer to them for weatherization even though they didn't refer to us. It's a synergy that works well. It's a synergy that is a constant moving target, depending on our ability to repair houses and their ability to weatherize them. There's always a Ying and a yang, always, a moving target, needless to say. So as opposed to the stuff that we've just been hearing about for the past two hours, maybe this is something you can get your mind around. I feel like a third grader at Harvard with some of these stats that they're popping out I'm not sure how doing, but I wouldn't want your job.

[2:44:56 PM]

The low income customer advisory -- is that what it is? Advisory taskforce, is undergoing some very deep dives into this. They are getting some great conclusions. I think it's doing a wonderful job. I expect to have something to you guys through that taskforce with the comprehensive study of all of this so you can understand it. So I'll be brief. Thank you.

>> Mayor Adler: Thank you very much. Suzanne Meredith and then Paul Robbins.

[Off mic].

>> I'm one of the contractors that he was talking about that does the low income houses. My background is also that I work prior to this in companies like Samsung and motorola and Dell doing business analysis improvement. So that's looking at improving waste and inefficiencies on an organizational level and now we're doing it with energy. And what I hear is that it's like how do we spend the money. Where should we put the money? I would say step back a minute and instead of saying where do we spend the money, how do we get the most out of the money? And so what I see is we don't have incremental change. How do we transform the way Austin looks at energy? Affordability was one of the things that was talked about. There's two things in there. One is the cost of how much is used. The other one is how much is used. So our mission, go green squads is our company, our mission is to reduce unnecessary energy use in central Texas and beyond. I don't think anybody could not want to reduce unnecessary energy use. You do that you don't need as much supply. If you can reduce the supply we don't need to have some of these power plants. So I really think that's an important place to put it. About how much Austin energy costs, we're a new energy. We're building all kinds of new energies. By the way, storage is the key for the availability of wind and solar, Mr. Zimmerman, that's really a key part of the variability, Baugh we're building that.

[2:47:01 PM]

It's a very complex topic. I'm also the topic of a book, beyond light bulbs, which looks at all the pieces of

puzzle. It is doable, but it will take an investment to do that. So if I say where should we put our focus, one of the things I think is we should be looking at human energy. How do we access human energy? People don't know about this. You guys don't know about it, but you do know about your homes. So if you put some focus, it is a continuum. People are anywhere along the continuum, you want to move them up the continuum of understanding and accessing Austin energy efficient practices, habits and households and businesses because people are made up of -- businesses are made up of people. I mean, people live in houses. So if you can get people to understand something about Austin energy in their own home and then go, by the way, also how can this be related to businesses, I think we'll have a big impact. So what does that mean about Austin energy? Well, people also like to be part of something bigger. If you think about it differently, what if we say enroll people in, hey, we need to as a city reduce the energy use in Austin. People could get behind that. Hey, we don't want to have to build another power plant. People could get behind that. So in my mind the marketing of it is where you could really put effort that gets the resources human energy involved so it's not just you guys trying to figure out how to spend the dollars, but get people doing it. I will tell you that the rebates do get people to make the changes. I will tell you that the low income programs, you know, if we're cutting their costs -- [buzzer sounds] , Then we're benefiting everybody because it's reducing the demand, reducing the emissions. It's doing a good thing. And if I can say just two more short things, the contractors that work with this, I don't know if you know, but there's 800 H vac license holders. I'm now one of them. You do not have -- you don't know about all these 800 contractors.

[2:49:02 PM]

The one that commit to doing this program with Austin energy, they're investing. They're really investing in doing this. And I have to say that Austin energy and the contractors have worked very well together to look at how we can make it more and more cost effect it but it takes an investment and it will be high for awhile, but it will -- it's a sign wave, it will get better and better and better.

>> Mayor Adler: Thank you very much.

>> Questions?

>> Mayor Adler: Ms. Gallo?

>> Gallo: Not for you -- maybe for you. But one of the questions I was going to ask, and I'd like to wait until Mr. Robbins gives his presentation, is -- and you just mentioned it, I've not heard anyone talk about renewable storage. It seems like with this group of experts here I would really like to find out after he gives his speech, but I'd really like to find out where we are from a technology standpoint and implementation standpoint on storage. Because I think that's such an important component. And my guess would be someone, if not everyone on this panel, could address that for us, please.

>> Mayor Adler: Mr. Robbins?

>> I would like to offer, I'm going to make a point of getting my book to all of you because it gives you a picture of the whole -- it's written for fifth graders figuring that adults could understand it so I'm figuring you guys can. I shouldn't say something like that, but I'm joking. So it gives you an overview of the whole picture. And I think it might be helpful. I hope it will be.

>> Mayor Adler: Thank you very much. Mr. Robbins, you have three minutes. Mr. Zimmerman?

>> Zimmerman: Yeah. Thank you for that. I'm not sure if I'm smarter than a fifth grader, but a couple of issues. Whenever I hear unnecessary energy expenditures I always think who is going to decide what's necessary and unnecessary. Right now I decide in my home what's necessary. I'm always turning stuff off to save on my Austin energy bill. So consumers and businesses today, they decide what's necessary, what's necessary and what's unnecessary. So I don't want to bring politics into that debate of what's necessary and what's unnecessary.

[2:51:05 PM]

I think it's a dangerous thing to do.

>> I agree with you. It really is. So it's really an education process and a marketing process of how can we reduce unnecessary -- you define it. Feel free to define it. But if you can move on a continuum. I think you guys are all new and you have your new districts and everything. Have a competition. People also like that, to go hey, look at how much we lost or saved compared to this group over here. Or -- you could do all kinds of things that would make it fun and you don't have to get into who is saving what way, but it's just like how do you move people on the continuum? Because it's better for all of us. Reducing emissions no matter what is good for all of us, reducing the energy use is good for all of us, I don't care about the politics.

>> Zimmerman: On that same thing you mentioned things about how do we spend our money? Where I come from is how do we not spend it.

>> I agree with you. What I did in the Dell's and motorolas before was business process improvement, which is how do reduce waste --

[lapse in audio].

>> Mayor Adler: Mr. Robbins, you have three minutes and you're our last other voice.

>> Before I start I just want to point out that a three minute speech to this body has become an art form. Like haiku.

>> Mayor Adler: We went through a year of campaigns, but we were doing it in a minute and a half. So 60 seconds.

>> One, two, three..., hi, I have been active in Austin's affairs

[lapse in audio]. I helped start's clean energy programs back in the 1980s. I'm here today in a volunteer capacity. My reason for speaking is to warn you against repeating mistakes that have been made in the past.

[2:53:06 PM]

I will focus on two issues, the proposal for a new gas plant and flawed programs and proposals to assist low income ratepayers. Regarding the need for new generation to replace Austin's existing coal plant, your decisions need to be based on hard data. So far Austin energy has made a better case for a new plant than opponents have made against it. As an environmentalist it bothers me to say this, but that is the current situation. Gas plant critics are correct about the urgent need to phase out fossil fuels causing global warming. However, critics have failed to address several problems. One, tacit acceptance of continued use of nuclear power, which is not a clean energy source. Two, confusing dispatchable generation such as a gas plant with intermittent renewable power when storage technology is in its relevant infancy. Three, reliance on expensive merchant power that Austin energy does not own, reliance that might last for decades. Austin energy also needs to answer hard questions such as the stability of fuel costs. When Texas begins to export liquified natural gas around the world at prices competing with oil. Neither side is talking about an election on this issue, as called for in article 7, section 11 of Austin's city charter. Regarding efforts to help low and moderate income people, I've grown impatient with programs that throw money at problems. The meager funding that is available needs to be spent strategically. The customer assistance program is currently giving some its money to mansions, a proposal to give free air conditioners worth \$5,000 apiece to low income people that have been shown -- this program has been shown to have pay backs longer than 55 years.

[2:55:20 PM]

Meanwhile this diverts funds that people -- that keep people from freezing during the winter and it's kind of like the Texas lottery. With a few winners and a lot of losers. What we need for low income programs are programs that target rented single-family houses and duplexes. This will likely reach many times more people and save much more energy per household.

[Buzzer sounds] About two-thirds of the people here, alcohol, have some background in energy storage, so you might be here the better part of the afternoon. I'll start it off by just saying that I've been a big fan of compressed air energy storage for at least a decade and it's the most -- knowledge is the most cost effective kind of storage and we haven't had -- we've only had one plant built in the United States and that was in 1991. Nobody wants to be the first one in 24 years to build one. And there might be some ways around that, such as a partnership with all the utilities in Texas to spread the risk, but that is current situation.

>> Mayor Adler: Thank you. Mr. Robbins, thank you very much. Mr. Weis?

>> If I could follow up on the storage issue. It's -- in a dynamic way we run electric systems, hydroelectric pump storage and hydroelectric projects in the northwest part of the United States, in California, those are -- got storage built into them naturally from reservoirs.

[2:57:21 PM]

So hydroelectric pump storage is another one where at nighttime you pump water up and daytime in the low you bring it down. Compressed air like Paul is talking about is another way. But they all take energy to create it, but the value of the energy when you take it out is higher, if you follow that. And the economics have got to be in the order of three to one to 10 to 1 better. So nobody has stepped you and done these projects because they're just so expensive. And what's on the horizon right now, we're doing it, we're a partner with a number of utilities across the country. Basically looking at -- basically looking at battery storage that goes in stations. Battery storage is no different than if you had a boat at a dock and you had batteries in it and you charged it and left the dock, ran your energy, same kind of concept, but it all has to do with economics. It really boiled down to that. So the technology isn't really new. The battery stuff is new. We're doing a project that the Kingsbury substation, which was approved. We have a community solar project that will have storage in it. And we're currently working on a very large one, conceptually a large storage project and it would be battery based. You will be hearing more about that. And so we're on the forefront of the cutting edge of storage and how we might use that. I think the speakers you heard from before is that the future, it may be -- there's a lot of technology that hasn't been invented yet that we don't really know about too. So it keeps -- it continues to move, but the bottom line is that in these projects we have to test them, see where the market goes and make sure they're appropriate for our customers. Cost effective.

>> Mayor Adler: Thank you. Other comments about storage?

>> I have a question for him first. So are we on technology? When you say technology isn't there, where is the future on that? Are we looking at economically viable storage for renewables in the next 10 years, two years?

>> We're working on a project that's right now. It will be in the next two years.

[2:59:22 PM]

We'll test it and see how it works out. Really there are several markets around the United States and the technology works -- has a different set of economics depending on the market. So the market we have is hot in the summer, what it is in the winter, and we're dominated by a lot of fossil fuel generation because there is no hydroelectric generation in Texas so we have two nuclear projects, we have all this coal and gas. And to the speaker earlier about no new gas is being brought on in Texas, I beg to differ. I

think one slide by Cyrus had 19,000 megawatts in swine flu of gas generation in -- in queue of gas generation in Texas. Ercot is 65,000 megawatts. And we peak at about 3,000. Okay? So it's a big number. It will be interesting to see where this market goes. But I believe personally that the battery in substation technology is probably what we're going to see coming forward and we're putting R and D into it. And that is not a lot of capital dollars yet, but a more like a lot of staff time and a lot of engineering and a lot of trying to figure out what the right steps are to take. And we're partnering with other utilities around

>> Mayor Adler: Roger Duncan.

>> I want to --

>> Mayor Adler: Come on up.

>> I agree with what Larry said in terms of where the technology is at. We look at it a lot at the energy institute over there. And I agree that batteries and substations are probably one of the nearest term renewable technologies best used. There's a few others, certainly molten salt is a storage medium being used in Spain for solar and some others and I think there was at one point ercot was talking about Austin energy about a case project and combining with us on that.

[3:01:23 PM]

I think the issue, though, is it's too broad of a question to talk about storage for renewables because you don't have -- you have different scale and size of renewable technologies and they have different storage needs and requirements and how fast they can dispatch and such. And I would say that you are going to see storage start to progress, but it's going to be in somewhat bits and starts. It's not that -- in the next two or five years suddenly there's going to be storage solution that makes renewables practical. There's going to be a combination of things. People are even talking about electric vehicles being used, their batteries being used for ancillary services for storage for the electric utility or after-vehicle use being combining the batteries for storage. So you're going to see a whole multitude of different storage solutions come about, probably over the next two to ten years, I would say, at different aspects for different types of renewables.

>> Mayor Adler: Thank you. Any further closing comment? Ms. Trox.

>> Troclair: Couple of quick -- what I think will be quick questions. How is the amount transferred from Austin energy to the general fund determined?

>> When we did the rate, excuse me, back up and say when the rates were approved in 2012, we worked with the city manager and figured out another way to come up with the transfer formula. What was being criticized at that time is that we had a 9.1% transfer -- that was the formula -- on the entire revenue of Austin energy, but our power supply adjustment charge can go up and down and every year, depending on the price of gas, the price of gas went down the city wouldn't get as much, if the price of gas went up, Austin energy would be transferring more. What we did, again, working with the city manager and he approved us bringing forward council a methodology that would have a 12% transfer of the non-fuel revenue, non-power supply revenue.

[3:03:33 PM]

If you take out in those charts I had up earlier, the doughnut looking ones, go there and take that fuel piece out, power adjustment supply piece out of total revenue that drops it down to less than a billion dollars, that's applied toward 12%, determines the rate. When we made that adjustment, we froze it at \$105 million until the formula kicks it above the 105 million, and I believe this year in the budget it will do that, it will be slightly above 105 million. So that was the methodology that we used. We have to be careful about changing it very often because our credit rating agencies that look at the city and -- we

float separate revenue bonds from Austin energy and the city floats its general obligation bonds. Those are highly rated, and they want to know how we do that formula, how do you that formula and how it works because it's very important that it's stable. So that's how it's determined.

>> Troxclair: And I've had a couple of constituents contact me about the \$200 deposit required to transfer service, if that customer has been one-day late once in the past 12 months. Is that information accurate? Do you know if that's how it works.

>> I don't know. That's above my pay grade. I'm going to have to -- all of our credit and collection policies and all of that I do not know, but we can get those answers to you. So if you provide -- your staff provides a question to art, we can answer that all the time. And while on that subject too, in your pamphlet is a procedure, protocol that we use for customers that have problems with their bills, complaints and everything, and that process has been used for years here. It works very efficiently and allows you to take constituents that have the high billing and everything and the process you go through to get to -- to have those customers. Because they call your office and they call my office and they call lots of offices sometimes, and we have a procedure, and we hope that we would follow it because it's good for and you good for us and the customer.

[3:05:38 PM]

>> Troxclair: Thank you so much, all of you, for being here today.

>> Sure.

>> Houston: Just one quick comment. We all get those calls, as you say, and we now understand the process. We didn't know it in the beginning. That wasn't taught to us during our or yen takers but we now understand the process. But people say that they've called and left messages and called and left messages and calls. Some of the calls I'm getting are not only about the high bills that people have received and not being able to Rolf those resolvethose and that being part of the service. I'm here to tell you that's not what some of the people who call experience.

>> Yes. I'm aware. I've had those discussions too. And I know this doesn't make it sound any better, but I've been in this business a long time, and customer service is always a challenge. We always have customers who can't get through, who have billing issues, have that -- so the solution is to have a staff and have an organization that can respond quickly to it. And we do have times when phone calls are too long and everything. So what I said earlier was one of the emphasis that I'm putting this year on the utility itself is to improve customer service because we've spent a lot of time on clean energy, spent a lot of time on affordability stuff and rates and the financial and we've spent a lot of time on all these other [lapse in audio] So hopefully you'll see that in a while and we can improve that.

>> Mayor Adler: Ms. Tovo.

>> Houston: I just had --

>> Mayor Adler: I'm sorry. Ms. Houston.

>> Houston: In a follow-up, when you get us prep for when our first meeting is, if you could give us some examples of the indirect costs, the indirect transfers, I'm sorry, that would help.

[3:07:51 PM]

>> Okay.

>> Houston: That was a hesitance there. You didn't want to?

>> No, no. I was thinking. It's available, but we'll get it to you. It's in a ordinance that's part of the documents that have been approved by council in the past, but we'll get it to you.

>> Houston: I'd appreciate that.

>> You bet.

>> Mayor Adler: Ms. Tovo.

>> Tovo: Councilmember Houston's first question reminded me of one of mine. Mr. Weis, earlier you talked about the number of employees, I think about 750 who are temporary employees. Do you have a sense of how many of those temporary employees are within the customer service department? Or customer service area?

>> Yes, I've said they were contract employees so they're full-time employees but they're under contract. So in -- we have a contract with a large provider of staff that we staff 311 with, and we have so much turnover in our customer service 311 staff that we can't hire people fast enough, frankly, with our hiring system, to do it. So what we have is we have a methodology, if you will, if you look at the needs we have that go up like this, we try to draw our staffing down to that base need that's down there and use our contractors to handle the overflow. And we can give -- bring that information back to council that we have on that. I think you remember we did a contract with a company named apple 1 a while ago, about two years ago, we did a refresher on that, and it's just a lot more cost have effective for us to have a pool of people to do that, I believe it's pretty close to 200 individuals.

>> Tovo: 200 individuals within customer service? I would actually like to explore this issue and I'm not sure if Austin energy would be the right

[lapse in audio] -- One of the concerns I've heard from some of our community members is that that high rate of turnover is contributing to the customer service issue and I understand it's a challenge if you have a lot of turnover you need to get people in there quickly, but on the other hand having those employees be full-time members of the staff with benefits may lessen the turnover and result in better customer service and better training and I hope that we can have that conversation with some more of that information.

[3:10:24 PM]

>> Mayor Adler: Ms. Kitchen.

>> Kitchen: Thank you. I'd like to follow up on that. In the information that you provide us, I'd like to understand, when you say contract employees, you're talking about contracting through a service, correct?

>> Correct.

>> Kitchen: I'd like to understand the wage levels and the benefits that that service provides to those employees whether they have health coverage, for example, or any other benefits. Are they considered full-time, part-time? Are they actually employees of the entity you're contracting with? Are they temporary? Just complete information about what their status is.

>> Sure, sure.

>> Kitchen: Is that only in the customer service area?

>> No, it's not.

>> Kitchen: What other areas?

>> Well, good example of it is it.

>> Kitchen: Okay.

>> Our salaries, we cannot afford to pay people enough. We have so much turnover in the very highly technical positions and intense it driven organization, with all our technology, so we just cannot get the skill level. We don't pay enough, our wages aren't high enough. So what we find we have to do is contract with companies to provide that it-level service we need because we cannot retain the employees. So, for example, if you're a software database administrator and you're in Austin you can probably pick a new week every week if you wanted. There's so much need for technology, for that type of skill set. That's one of the things that really hurts us, in engineering, in it, in a number of areas like that. But another big contract we have -- we can break it apart for you and show all the different pieces

but we have construction contracts for line crews that are out there. We just cannot afford to carry that many personnel when we don't need all the time, if construction slows down or work slows down we have to manage it. So it's a business decision, but it isn't just about saving money on angles. Wages, a lot of time it's about having talent on the job.

[3:12:24 PM]

>> Kitchen: I'd like to understand that, I imagine for it in particular, if you're paying a service that would not be low cost because that service has to pay those individuals also. So, yes, if you could help us out.

>> Sure.

>> Kitchen: I'd like to know every area in which you have temporary or contract employees.

>> Mm-hmm.

>> Kitchen: And the information that, you know, we requested about their wage levels what kind of benefits they receive.

>> Sure.

>> Kitchen: Thank you.

>> Mayor Adler: Okay.

>> Cesar: Mayor one last comment, 30 seconds.

>> Mayor Adler: Okay.

>> Cesar: Just I think this is more from my colleagues, we've spoken a little bit about [lapse in audio] -- For us to remember and recall what in four districts, I think if I'm right, in about four districts the median family of four is at 200% of the federal poverty line or below and I believe in about eight, maybe seven districts, but I think in eight of our districts the median family of four is at that 400% or below. So when we're talking about programs benefiting people at 200% of federal poverty line or 300%, we're not talking about charity programs. We're just talking about benefiting austinites in our areas so I think that's important for us to remember when we talk about that work.

>> Mayor Adler: To close the session with a really quick plug today in Austin it was announced a joint project between grid mates and community first, where by people in Austin can go online and donate power to the community on a platform that hopefully will expand and become part of -- more of our lives in Austin. I'd like to thank the panel for being here today and what I know is a frustrating forum. This meeting today stands adjourned.